MARULENG LOCAL MUNICIPALITY
(Registration number LIM 335)
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

General Information

Legal form of entity	Category C Municipality
Nature of business and principal activities	South African Grade 3 Municipality (Local Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998)
Mayor	Cllr HM Thobejane
Chief Whip	Cllr ML Mongadi
Speaker	Cllr MJ Mahlo
Councillors	
	Cllr MJ Rakgoale (Exco Member)
	Cllr NV Lewele (Exco Member)
	Cllr MR Maakamela (Exco Member)
	Cllr PE Shai (Exco Member)
	Cllr B Mohlabe
	Cllr DM Sebela
	Cllr EC Du Preez
	Cllr JT Morema
	Cllr LV Shaai
	Cllr MA Mathaba
	Cllr MD Popela
	Cllr MF Madike
	Cllr MJ Modiba
	Cllr MM Komane
	Cllr MO Mathipa
	Cllr MR Malepe
	Cllr MS Kgohloane
	Cllr MT Mongadi
	Cllr SC Shokane
	Cllr SF Mahlo
	Cllr SL Mkansi
	Cllr SV Mametja
	Cllr TD Mogale
Grading of local authority	Grade 3 Municipality
Acting Chief Finance Officer (CFO)	Ms MF Sekobela (Acting from 1 July 2017)
Accounting Officer	
	Ms ML Mokonyane (Acting From July to September 2018)
	Ms KV Sithole (Acting From October to December 2018)
	Mr MC Machubene (From January 2019 to June 2019)
	Mr TG Magabane (From 1 July 2019)
Registered office	Maruleng Municipal Offices 65 Springbok Street Hoedspruit
Business address	65 Springbok Street Hoedspruit 1380

General Information

Postal address	PO Box 627 Hoedspruit
Telephone Number	015-793 2409
Fax Number	015-793 2341
Email Address	Info@maruleng.gov.za
Website	www.maruleng.gov.za
Auditors	Audited by: Auditor-General of SA (AGSA)
Bankers	Standard Bank of South African (Primary Bank)
Attorneys	Steyn and Clarke Attorneys Mohale Incorporated Edwin S Nkwana Incorporated SD Mdhuli Attorneys Talane & Associates Attorneys
Audit Committee members	Mr L Lankalebalele (Chairperson) Mr K Mosupa Ms M Makhongele

Index

The reports and statements set out below comprise the financial statements presented to the provincial legislature:

COID	Compensation for Occupational Injuries and Diseases
GRAP	Generally Recognised Accounting Practice
CFO	Chief Financial Officer
VAT	Value Added Tax
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
MSCOA	Municipal standard chart of accounts
FMG	Financial Management Grant
EPWP	Expanded Public Works Program

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the financial statements fairly present the state of affairs of the municipality as at the end of the reporting period and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the financial statements and was given unrestricted access to all financial records and related data.

The financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges the ultimate responsibility for the system of internal financial control established by the municipality and places considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

Based on the information and explanations given by management, the accounting officer is of the opinion that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The accounting officer has reviewed the municipality's cash flow forecast for the period ending 30 June 2020 and, in the light of this review and the current financial position, is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

I certify that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

The municipality is partially dependent on inter-governmental grants and transfers as well as service charges for continued funding of operations. The financial statements are prepared on the basis that the municipality is a going concern and the Maruleng Local Municipality has neither the intention nor the need to liquidate or curtail materially the scale of its operations.

The Accounting Officer further certifies that the remuneration of councillors as disclosed in the relevant note to the financial statements is in accordance with the Public Office Bearers Act (Act 20 of 1998) and the Minister of Co-operative Governance and Traditional Affairs' determination of upper limits of the salaries, allowances and benefits as promulgated annually.

The financial statements set out on pages 47 to 82, which have been prepared on the going concern basis, were approved and signed on behalf of the Municipality by:

Mr TG Magabane (From 1 July 2019)
ACCOUNTING OFFICER - Municipal Manager

Audit Committee Report

We are pleased to present our report for the financial year ended 30 June 2019.

Audit committee members and attendance

The audit committee consists of the members listed hereunder and should meet 4 times per annum as per its approved terms of reference. During the current year 3 number of meetings were held.

Audit committee responsibility

The audit committee reports that it has complied with its responsibilities arising from section 166(2)(a) of the MFMA.

The audit committee also reports that it has adopted appropriate formal terms of reference as its audit committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

The effectiveness of internal control

The system of internal controls applied by the municipality over financial and risk management is effective, efficient and transparent. In line with the MFMA and the King III Report on Corporate Governance requirements, Internal Audit provides the audit committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes. From the various reports of the Internal Auditors, the Audit Report on the financial statements, and the management report of the Auditor-General South Africa, it was noted that no matters were reported that indicate any material deficiencies in the system of internal control or any deviations therefrom. Accordingly, we can report that the system of internal control over financial reporting for the period under review was efficient and effective.

The quality of in year management and monthly/quarterly reports submitted in terms of the MFMA and the Division of Revenue Act.

The audit committee is not satisfied with the content and quality of monthly and quarterly reports prepared and issued by the Accounting Officer of the municipality during the year under review.

Evaluation of financial statements

The audit committee has not:
- reviewed and discussed the unaudited financial statements to be included in the annual report, with the Auditor-General and the Accounting Officer;
- reviewed the Auditor-General of South Africa's management report and management's response thereto;
- reviewed changes in accounting policies and practices (delete if not applicable);
- reviewed the entities compliance with legal and regulatory provisions;
- reviewed significant adjustments resulting from the audit.

The audit committee concur with and accept the Auditor-General of South Africa's report the financial statements, and are of the opinion that the audited financial statements should be accepted and read together with the report of the Auditor-General of South Africa.

Internal audit

The audit committee is not satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the municipality and its audits.

Auditor-General of South Africa

The audit committee has not met with the Auditor-General of South Africa to ensure that there are no unresolved issues.

Chairperson of the Audit Committee

Date: ______________________

Accounting Officer's Report

The accounting officer submits his report under review.

1. Review of activities

Main business and operations

The municipality is an investment and management entity with trading controlled entities engaged in south african grade 3 municipality (local municipality) as defined by the municipal structures act. (act no 117 of 1998). The municipality operates principally in South Africa and [state other countries].

Net surplus of the municipality was R 71 436 622 (2018: surplus R 71 992 991).

2. Going concern

We draw attention to the fact that at 30 June 2019, the municipality had an accumulated surplus (deficit) of R 592 611 047 and that the municipality's total assets exceed its liabilities by R 592 611 047.

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

3. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the period under review.

The municipality implemented the regulated MSCOA (Municipal Standard Chart Of Accounts) and is currently in compliance with the relevant regulations. This will however have an effect on the annual financial statements and will result in diclosure changes. The changes are detailed in the relevant restatement note.

4. Accounting Officer's interest in contracts

The accounting officer declares not to have any interest in contracts of the municipality.

5. Accounting policies

The annual financial statements prepared in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

The impact on the results of the municipality in adopting the above policies is reflected in note - to the financial statements.

The financial statements are prepared in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board (ASB) as the prescribed framework by National Treasury.

6. Non-current assets

Details of major changes in the nature of the non-current assets of the municipality during the period under review is set out in the notes to the financial statements.

Accounting Officer's Report

7. Accounting Officer

The position of the accounting officer of the municipality during the financial period under review were held by:

Name	Nationality
Ms ML Mokonyane (Acting From July to September 2018)	South African
Ms KV Sithole (Acting From October to December 2018)	South African
Mr MC Machubene (From January 2019 to June 2019)	South African
Mr TG Magabane (From 1 July 2019)	South African

8. Corporate governance

General

The accounting officer is committed to business integrity, transparency and professionalism in all municipal activities. As part of this commitment, the accounting officer supports the highest standards of corporate governance and the ongoing development of best practice.

Councillors

The council:
- retains full control over the municipality, its plans and strategy;
- acknowledges its responsibilities as strategy, compliance with internal policies, external laws and regulations, effective risk management and performance measurement, transparency and effective communication both internally and externally by the municipality;
- is of a unitary structure comprising;
  - Mayor
  - Speaker
  - Executive committee
  - Ordinary councillors.

Mayor and Municipal Manager

The roles of the Mayor and Municipal Manager are separate, with responsibilities divided between them, so that no individual has unfettered powers of discretion. The mayor and council perform their oversight role and duties in terms of the prescribed legislation and delegated authorities.

Audit committee

Mr L Lankalebalele was the Chairperson of the audit committee.The audit committee met during the period under review to review matters necessary to fulfil its role.

In terms of Section 166 of the Municipal Finance Management Act, the municipality must appoint members of the Audit Committee. National Treasury policy requires that municipalities should appoint further members of the municipality’s audit committee who are not councillors onto the audit committee.

9. Bankers

The municipality banks with Standard Bank of South Africa.

10. Auditors

The Audited by: Auditor-General of SA (AGSA) will continue as the municipality's external auditors as prescribed by the Auditor-General Act (Act no 12 of 1995).

Statement of Financial Position as at 30 June 2019

Figures in Rand	Note(s)	2019	2018 Restated*
Assets			
Current Assets			
Inventories	3	47 774	162 002
Receivables from exchange transactions	4	3 163 458	2 857 464
Receivables from non-exchange transactions	5	19 702 543	17 098 753
VAT receivable *Restated	6	10 094 118	12 877 495
Other asset	7	3 068 770	1 363 251
Cash and cash equivalents	8	137 892 725	131 869 906
		173 969 388	**166 228 871**
Non-Current Assets			
Investment property	9	8 750 000	6 796 836
Property Plant and Equipment	10	464 173 659	392 607 036
Intangible assets	11	298 294	447 467
Heritage assets	12	222 000	222 000
		473 443 953	**400 073 339**
Total Assets		**647 413 341**	**566 302 210**
Liabilities			
Current Liabilities			
Payables from exchange transactions *Restated	13	29 513 487	21 471 925
Trade and other payables from non exchange transactions	14	5 476 777	6 445 398
Provisions	15	8 824 558	7 036 504
Unspent conditional grants and receipts	16	5 112	290
		43 819 934	**34 954 117**
Non-Current Liabilities			
Provisions	17	10 982 360	10 173 668
Total Liabilities		**54 802 294**	**45 127 785**
Net Assets		**592 611 047**	**521 174 425**
Accumulated surplus		592 611 047	521 174 425

* See Note 48

Statement of Financial Performance

Figures in Rand	Note(s)	2019	2018 Restated*
Revenue			
Revenue from exchange transactions			
Agency services	18	1 981 241	2 129 794
Interest received - receivables	19	6 187 882	3 536 984
Interest received - investment	19	8 071 510	6 748 684
Licences and permits	20	2 716 240	2 490 110
Other revenue	22	1 697 234	2 426 985
Rental of facilities and equipment	50	222 089	224 089
Service charges	23	3 497 886	3 150 246
Total revenue from exchange transactions		**24 374 082**	**20 706 892**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	24	79 057 866	70 269 431
Traffic fines	25	607 071	398 600
Transfer revenue and other receipts			
Government grants & subsidies - Operating	26	112 195 000	102 321 808
Government grants & subsidies - Capital	26	41 332 179	27 222 902
Total revenue from non-exchange transactions		**233 192 116**	**200 212 741**
Total revenue		**257 566 198**	**220 919 633**
Expenditure			
Employee related costs	27	(63 891 979)	(56 873 978)
Remuneration of councillors	28	(10 572 715)	(10 367 363)
Depreciation and amortisation	29	(18 371 816)	(16 795 966)
Impairment loss/ Reversal of impairments	30	(1 757 379)	(4 459 298)
Finance costs	31	(1 019 217)	(25 165)
Lease rentals on operating lease		(1 054 755)	-
Debt Impairment	5	(26 139 730)	(8 774 365)
Contracted services	47	(13 534 621)	(6 744 362)
Loss on disposal of assets and liabilities	33	(332 769)	(159 149)
General Expenses	32	(52 372 114)	(44 726 996)
Total expenditure		**(189 047 095)**	**(148 926 642)**
Fair value adjustments		1 953 164	-
Actuarial Gains / (Losses)		964 355	-
Surplus for the year		**71 436 622**	**71 992 991**

* See Note 48

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	449 257 148	449 257 148
Adjustments		
Correction of errors - Assets	(75 714)	(75 714)
Balance at 01 July 2017 as restated*	**449 181 434**	**449 181 434**
Changes in net assets		
Surplus for the year	71 992 991	71 992 991
Total changes	71 992 991	71 992 991
Opening balance as previously reported	520 975 806	520 975 806
Correction of errors	198 619	198 619
Restated* Balance at 01 July 2018 as restated*	**521 174 425**	**521 174 425**
Changes in net assets		
Surplus for the year	71 436 622	71 436 622
Total changes	71 436 622	71 436 622
Balance at 30 June 2019	**592 611 047**	**592 611 047**
Note(s)	Correction of prior year errors48	

* See Note 48

MARULENG LOCAL MUNICIPALITY
(Registration number LIM 335)
Financial Statements for the year ended 30 June 2019

Cash Flow Statement

Figures in Rand	Note(s)	2019	2018 Restated*
Cash flows from operating activities			
Receipts			
Property rates and service charges		58 129 496	64 645 312
Grants and subsidies		153 532 001	129 545 000
Interest income		14 259 392	10 285 668
Other receipts		3 678 475	(5 350 069)
		229 599 364	199 125 911
Payments			
Employee costs		(72 649 277)	(65 153 208)
Suppliers		(56 227 701)	(30 398 903)
Finance costs		-	-
Interest paid		(2 895 867)	(25 165)
		(131 772 845)	(95 577 276)
Net cash flows from operating activities	34	**97 826 519**	**103 548 635**
		97 826 519	103 548 635
Cash flows from investing activities			
Purchase of property, plant and equipment and other assets	10	(91 952 872)	(82 933 614)
Purchase of other intangible assets	11	149 173	-
Net cash flows from investing activities		**(91 803 699)**	**(82 933 614)**
Cash flows from financing activities			
Finance lease payments		-	(190 874)
Net increase/(decrease) in cash and cash equivalents		**6 022 820**	**20 424 147**
Cash and cash equivalents at the beginning of the year		131 869 906	111 445 759
Cash and cash equivalents at the end of the year	8	**137 892 726**	**131 869 906**

* See Note 48

Statements of Comparison of Budget and Actual Amounts

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue by source						
Service charges-refuse revenue	3 336 924	107 695	**3 444 619**	3 497 886	**53 267**	
Rental of facilities and equipment	371 400	(2 465)	**368 935**	222 089	**(146 846)**	
Interest received (trading)	5 756 760	8 995	**5 765 755**	6 187 882	**422 127**	
Interest earned - external investments	6 500 004	500 000	**7 000 004**	8 071 510	**1 071 506**	
Licences and permits	3 399 708	1 109 065	**4 508 773**	2 716 240	**(1 792 533)**	
Agency services	-	10 226 040	**10 226 040**	1 981 241	**(8 244 799)**	
Other revenue	6 013 692	(3 212 660)	**2 801 032**	1 697 234	**(1 103 798)**	
Total revenue (excluding capital transfers and contributions)	**25 378 488**	**8 736 670**	**34 115 158**	**24 374 082**	**(9 741 076)**	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	68 756 856	8 730 230	**77 487 086**	79 057 866	**1 570 780**	
Traffic fines	371 400	7 000	**378 400**	607 071	**228 671**	
Transfer revenue						
Government grants & subsidies - Operating	86 148 000	26 337 192	**112 485 192**	112 195 000	**(290 192)**	
Government grants & subsidies - Capital	-	-	**-**	41 332 179	**41 332 179**	
Other transfer revenue 2	26 337 000	15 000 000	**41 337 000**	964 355	**(40 372 645)**	
Total revenue from non-exchange transactions	**181 613 256**	**50 074 422**	**231 687 678**	**234 156 471**	**2 468 793**	
Total revenue	**206 991 744**	**58 811 092**	**265 802 836**	**258 530 553**	**(7 272 283)**	
Expenditure by type						
Employee related costs	71 866 509	3 528 068	**75 394 577**	(63 891 979)	**(139 286 556)**	
Remuneration of councillors	11 188 500	(247 735)	**10 940 765**	(10 572 715)	**(21 513 480)**	
Depreciation and amortisation	27 589 224	(3 000 005)	**24 589 219**	(18 371 816)	**(42 961 035)**	
Depreciation and asset impairment	-	-	**-**	(1 757 379)	**(1 757 379)**	
Finance charges	80 004	50 000	**130 004**	(1 019 217)	**(1 149 221)**	
Lease rental	-	-	**-**	(1 054 755)	**(1 054 755)**	
Debt impairment	24 500 004	(15 300 005)	**9 199 999**	(26 139 730)	**(35 339 729)**	7
Other materials	-	-	**-**	(2 171 958)	**(2 171 958)**	10
Contracted services	25 063 896	3 002 810	**28 066 706**	(13 534 621)	**(41 601 327)**	
Loss on disposal of assets	2 473 908	-	**2 473 908**	(332 769)	**(2 806 677)**	12
Other expenditure	41 889 384	12 462 206	**54 351 590**	(50 200 156)	**(104 551 746)**	11
Total expenditure	**204 651 429**	**495 339**	**205 146 768**	**(189 047 095)**	**(394 193 863)**	
Surplus/ (Deficit)	**411 643 173**	**59 306 431**	**470 949 604**	**69 483 458**		
Surplus/ (Deficit)	-	-	**-**	(332 769)	**(332 769)**	
Fair value adjustments	-	-	**-**	1 953 164	**1 953 164**	
	-	**-**	**-**	**1 620 395**	**1 620 395**	

Statements of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Surplus/ (Deficit) for the year	**411 643 173**	**59 306 431**	**470 949 604**	**71 103 853**	**(399 845 751)**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**411 643 173**	**59 306 431**	**470 949 604**	**71 103 853**	**(399 845 751)**	

Statements of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Cash and cash equivalents	(130 196 424)	270 228 251	**140 031 827**	137 892 725	**(2 139 102)**	1&2
Other asset	9 867 000	15 650 123	**25 517 123**	3 163 458	**(22 353 665)**	
Inventories	66 708	100 000	**166 708**	47 774	**(118 934)**	5
Receivables from exchange transactions	15 350 544	18 029 142	**33 379 686**	3 068 770	**(30 310 916)**	
Receivables from non-exchange transactions	-	-	**-**	19 702 543	**19 702 543**	3
VAT receivable	-	-	**-**	10 094 118	**10 094 118**	4
	(104 912 172)	**304 007 516**	**199 095 344**	**173 969 388**	**(25 125 956)**	
Non-Current Assets						
Investment property	13 750 020	(6 953 186)	**6 796 834**	8 750 000	**1 953 166**	
Property Plant and Equipment	383 181 192	(87 832 815)	**295 348 377**	464 173 659	**168 825 282**	
Intangible assets	2 000 004	(1 022 355)	**977 649**	298 294	**(679 355)**	6
Heritage assets	222 000	-	**222 000**	222 000	**-**	
	399 153 216	**(95 808 356)**	**303 344 860**	**473 443 953**	**170 099 093**	
Total Assets	**294 241 044**	**208 199 160**	**502 440 204**	**647 413 341**	**144 973 137**	
Liabilities						
Current Liabilities						
Payables from exchange transactions *Restated	437 107 428	(410 415 997)	**26 691 431**	29 513 487	**2 822 056**	7
Taxes and transfers payable	-	-	**-**	5 476 777	**5 476 777**	
Provisions	4 500 000	4 260 000	**8 760 000**	8 824 558	**64 558**	8
Unspent conditional grants and receipts	-	-	**-**	5 112	**5 112**	36
	441 607 428	**(406 155 997)**	**35 451 431**	**43 819 934**	**8 368 503**	
Non-Current Liabilities						
Provisions	8 560 008	3 000 000	**11 560 008**	10 982 360	**(577 648)**	
Total Liabilities	**450 167 436**	**(403 155 997)**	**47 011 439**	**54 802 294**	**7 790 855**	
Net Assets	**(155 926 392)**	**611 355 157**	**455 428 765**	**592 611 047**	**137 182 282**	
Net Assets Attributable to Owners of Controlling Entity						
Community Wealth/ Equity						
Accumulated surplus	(155 926 392)	611 355 157	**455 428 765**	592 611 047	**137 182 282**	

Statements of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Cash Flow Statement						
Cash flows from operating activities						
Receipts						
Property rates, penalties & collection charges	68 756 856	8 730 230	**77 487 086**	70 269 431	**(7 217 655)**	1
Service charges	3 336 924	107 695	**3 444 619**	(5 624 114)	**(9 068 733)**	2
Other revenue	10 156 200	8 126 980	**18 283 180**	(5 350 069)	**(23 633 249)**	
Government grants - Operating	112 485 000	26 337 290	**138 822 290**	-	**(138 822 290)**	
Interest	12 256 764	508 995	**12 765 759**	10 285 668	**(2 480 091)**	3
	206 991 744	**43 811 190**	**250 802 934**	**69 580 916**	**(181 222 018)**	
Payments						
Suppliers and employees	(227 005 920)	(168 370 561)	**(395 376 481)**	(95 577 276)	**299 799 205**	4
Finance costs	(80 004)	(50 000)	**(130 004)**	-	**130 004**	5
	(227 085 924)	**(168 420 561)**	**(395 506 485)**	**(95 577 276)**	**299 929 209**	
Net cash flows from/ (used) operating activities	**(20 094 180)**	**(124 609 371)**	**(144 703 551)**	**(25 996 360)**	**118 707 191**	
Cash flows from investing activities						
Purchase of property, plant and equipment	(102 750 276)	(4 069 861)	**(106 820 137)**	-	**106 820 137**	7
Purchase of other intangible assets	2 473 908	-	**2 473 908**	-	**(2 473 908)**	
Net cash flows from investing activities	**(100 276 368)**	**(4 069 861)**	**(104 346 229)**	**-**	**104 346 229**	
Net increase/(decrease) in cash and cash equivalents	(120 370 548)	(128 679 232)	**(249 049 780)**	(25 996 360)	**223 053 420**	
Cash and cash equivalents at the beginning of the year	(135 851 319)	524 932 926	**389 081 607**	-	**(389 081 607)**	
Cash and cash equivalents at the end of the year	**(256 221 867)**	**396 253 694**	**140 031 827**	**(25 996 360)**	**(166 028 187)**	

Revenue

Agency Services

- The traffic station increased the working days, it now opens on Saturdays which led to increased Agency transactions. There is also an increase in the number of applicants requesting renewal of Professional driving permits.

Interest received on debtors

- The municipality changed the way in which interest on overdue accounts is charged. Interest was charged on the current portion (prior month debt) of debt but is now charged on the total amount outstanding.

Rental of facilities and equipment

- Most of the clients did not review their service level agreement for rental.

Licence and permits

Statements of Comparison of Budget and Actual Amounts

- The number of learners licence applicants has decreased (in the previous year two classes were held per day and only one is held in the current year).

Other revenue

- This is due to the implementation of Spatial Planning and Land Management Use Act (SPLUMA) in July 2017. Before SPLUMA, some town planning applications were sent to COGHSTA for approval, which lead to a loss of revenue.

Traffic fines

- The municipality experience a number of strikes during the year under review, which disturbed the day to day operations of the municipality.

Expenditure

Employee related costs

- There was a delay in the appointment of top level management positions. The municipality has a total of 4 director posts that are still vacant. Namely Municipal Manager, Chief Financial Officer, Technical Director and Corporate Director.

Depreciation and amortisation

- There was a delay in some of projects which were expected to be completed in the 17/18 financial year (the remaining work in progress projects are still in WIP and not depreciating). The projects include Lorraine Bellville access road and Kanana Mahlomelong road and three bridges.

Debt impairment

- The municipality incorrectly used last year's actual figures as a baseline. The large debt impairment in the prior year was due to a significant increase in property rates from 2015/16 to 2016/17, resulting in the adjustment of the provision for doubtful debts, and the contra entry of debt impairment, increasing significantly last year.The difference is therefore due to incorrect budgeting.

Loss on sale of disposal

- Assets were fully impaired and only R159 149 on the assets register were disposed.

Other Expenditure

- As part of expenditure curtailment measures recommended by National Treasury, the municipality exercised fiscal restraint on a number of operational votes. As a result thereof, the municipality made savings on line items considered to be not directly related to service delivery, such as operational programmes. The budget split other material and other expenditure while the AFS doesn’t split the two function, there are all called other expenditure on the AFS.

STATEMENT OF FINANCIAL POSITION

Receivables from exchange transactions

- The municipality changed the way in which interest on overdue accounts is charged. Interest was charged on the current

portion (prior month debt) of debt but is now charged on the total amount outstanding. New tariffs were also approved by council, which increased rates of services. On the MBRR the budget is recorded as consumer debtors which include receivable from exchange transaction and receivable from non-exchange transactions.

Receivables from non - exchange transactions

- A new valuation roll was implemented for the period 1 July 2017 to 30 June 2022 which led to increased market value of properties which led to increased property rates. Supplementary valuation roll was also increased which led to increased property rates. New tariffs were also approved by council, which increased rates of services. On the MBRR the budget is recorded as consumer debtors which include receivable from exchange transaction and receivable from non-exchange transactions.

Other debtors

- On the MBRR/budget other debtors consists of vat receivable and other debtors..

VAT receivable

- VAT returns for the 16/17 financial year were paid in the 17/18 financial year which decreased the VAT receivable. The budget is included under other debtors.

Inventory

- Stock at hand for 2017/18invreased in volume when compared to last financial period.

Cash and Cash equivalents

- There was a delay in completion of roads projects. The Contractor applied to Eskom to remove electricity poles on the road, but Eskom had to shedule the moving over a long time which delayed the projects (the project money was therefore not fully spent). There was also an increase in the municipality's call deposit account due to interest earned.

Property, plant and equipment

- There was a delay in some of projects which were expected to be completed in the 17/18 financial year (they are still in WIP and not depreciating). The projects include Lorraine Bellville access road and Kanana Mahlomelong road and three bridges.

Intangible assets

- The budget was based on the procurement of the software which was not done for 2017/18 FY.

Heritage assets

- On the budget for 2017/18 there is no line item for heritage assets and the budget was added on the property plant and equipment.

Payable from exchange transactions

- Projects of R82 million were under construction, which lead to more unpaid retention of R14 million that will remain as a creditors. The budget document does not split between payable from exchange transaction and exchange transaction

they both called trade and other payable.

Payable from non-exchange transactions

- The municipality had a lot of deposit for building plans and community halls which was remaining in our book as outstanding creditors, the money is only paid to the customer after the municipality receiving completion certificates from building unit. The budget document does not split between payable from exchange transaction and exchange transaction they both called trade and other payable.

Unspent conditional grants

- The municipality spent 99.99% on the conditional grants

Provisions- Current liabilities

- There was a change in the way in which leave provision is calculated. The Basic Condition for Employment act (BCEA) rating was not used to calculate leave provision. Before the BCEA rating, the number of days were used and salary were used to calculate provision. The BCEA rating considers additional factors like acting allowance, overtime.

Provisions - Employee benefit obligation

- The provision increased due to increase in inflation. The number of employees joining medical aid increased. New employees were also hired resulting in increased employee benefit obligation.

CAPITAL EXPENTURE

Roads infrastructure

- There was a delay in relocating of the Eskom poles for Lorraine Bellville and hlohlokwe access road projects, the municipality re-allocated the budget for these two in 2018/19 financial period.

Capital spares- Roads

- No appointment were made during the year under review.

Electrical infrastructure

- The project is completed, the municipality overestimated the budget of the project.

Market stalls

- No appointment were made during the year under review.

Community halls

- The project were wrongly allocated (misallocation of the project) to the other projects and identified after approval of the adjustment budget.

Municipal offices

- No appointment were made during the year under review.

Statements of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference

Computer equipment

- Delay in the Supply chain process, the appointment was made in June 2019.

Machinery and equipment

- Delay in appointment of service provider for own funding projects.

CASH FLOW STATEMENT

Property rates, penalties and collection charges

- The municipality revenue for property rates was based on the actual budget that was made on 2016/17 financial period, the municipality managed to receive more revenue on property rates than anticipated.

Service charges

- The municipality revenue for services was based on the actual budget that was made on 2016/17 financial period, the municipality receive less revenue on services charges than anticipated.

Interest

- The municipality cash flow revenue interests is more than anticipated. The interest was based on the money that was invested on 2017/18.

Suppliers and employees

- As part of expenditure curtailment measures recommended by National Treasury, the municipality exercised fiscal restraint on a number of operational votes. As a result thereof, the municipality made savings on line items considered to be not directly related to service delivery, such as operational programmes.

Accounting Policies

1. Presentation of Financial Statements

The financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Municipal Finance Management Act (Act 56 of 2003).

The financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise.

Assets, liabilities, revenues and expenses have not been offset, except where offsetting is either required or permitted by a Standard of GRAP.

The annual financial statements presents fairly the financial position, performance and cashflow of the municipality.

These accounting policies are consistent with the previous period.

1.1 Presentation currency

These financial statements are presented in South African Rand (R), rounded off to the nearest Rand, which is the functional currency of the municipality.

1.2 Going concern assumption

These financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.3 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Trade receivables / Held to maturity investments and/or loans and receivables

The Gauteng Provincial Legislature assesses its trade receivables and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables, held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note for Provisions.

Useful lives of property plant, equipment and intangible assets

The GPL's's management determines the estimated useful lives and related depreciation charges for the property plant and equipment, and software and development cost. This estimate is based on pattern in which as assets future economic benefit or services potential are expected to be consumed by the entity.

Effective interest rate

1.3 Significant judgements and sources of estimation uncertainty (continued)

The GPL uses an appropriate rate, taking into account guidance provided in the accounting standards and applying professional judgement to the specific circumstances to discount future cash flows.

1.4 Comperative Information

1.4.1 Current year comparative budget

Budget information in accordance with GRAP 1 and 24, has been provided in these annual financial statements.

1.4.2 Prior year comperatives

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are also reclassified and restated, unless such comparative reclassification and/or restatement is not required by a Standard of GRAP. The nature and reason for such reclassifications and restatements are also disclosed.

Where material accounting errors, which relate to prior periods, have been identified in the current year, the correction is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly.

The presentation and classification of items in the current year is consistent with prior periods.

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

Accounting Policies

1.5 Transfer of functions between entities under common control

Definitions

An acquirer is the municipality that obtains control of the acquiree or transferor.

Carrying amount of an asset or liability is the amount at which an asset or liability is recognised in the statement of financial position.

Control is the power to govern the financial and operating policies of another municipality so as to benefit from its activities.

A function is an integrated set of activities that is capable of being conducted and managed for purposes of achieving an municipality’s objectives, either by providing economic benefits or service potential.

A merger is the establishment of a new combined entity in which none of the former entities obtains control over any other and no acquirer can be identified.

Transfer date is the date on which the acquirer obtains control of the function and the transferor loses control of that function.

A transfer of functions is the reorganisation and/or the re-allocation of functions between entities by transferring functions between entities or into another municipality.

A transferor is the municipality that relinquishes control of a function.

Common control - For a transaction or event to occur between entities under common control, the transaction or event needs to be undertaken between entities within the same sphere of government or between entities that are part of the same economic entity. Entities that are ultimately controlled by the same entity before and after the transfer of functions are within the same economic entity.

A function is an integrated set of activities that is capable of being conducted and managed for purposes of achieving an municipality‘s objectives, either by providing economic benefits or service potential. A function consists of inputs and processes applied to those inputs that have the ability to create outputs. A function can either be a part or a portion of an entity or can consist of the whole municipality. Although functions may have outputs, outputs are not required to qualify as a function. The three elements of a function are defined as follows:

- Input: Any resource that creates, or has the ability to create, outputs when one or more processes are applied to it.
- Process: Any system, standard, protocol, convention or rule that when applied to an input or inputs, creates or has the ability to create outputs.
- Output: The result of inputs and processes applied to achieve and improve efficiency. This may be in the form of achieving service delivery objectives, or the delivery of goods and/or services.

Accounting by the entity as transferor

Derecognition of assets transferred and liabilities relinquished

As of the transfer date, the municipality derecognises from its financial statements, all the assets transferred and liabilities relinquished in a transfer of functions at their carrying amounts.

Until the transfer date, the municipality continues to measure these assets and liabilities in accordance with applicable Standards of GRAP.

The consideration received from the acquirer can be in the form of cash, cash equivalents or other assets. If the consideration received is in the form of other assets, the municipality measures such assets at their fair value on the transfer date in accordance with the applicable Standard of GRAP. The difference between the carrying amounts of the assets transferred, the liabilities relinquished and the consideration received from the acquirer is recognised in accumulated surplus or deficit.

1.6 Transfer of functions between entities not under common control

Definitions

An acquiree is the entity and/or the functions that the acquirer obtains control of in a transfer of functions.

An acquirer is the entity that obtains control of the acquiree or transferor.

Acquisition date is the date on which the acquirer obtains control of the acquiree.

1.6 Transfer of functions between entities not under common control (continued)

Contingent consideration is usually, an obligation of the acquirer to transfer additional assets or a residual interest to the former owners of an acquiree as part of the exchange for control of the acquiree if specified future events occur or conditions are met. However, contingent consideration also may give the acquirer the right to the return of previously transferred consideration if specified conditions are met.

Control is the power to govern the financial and operating policies of another entity so as to obtain benefit from its activities.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction.

A function is an integrated set of activities that is capable of being conducted and managed for purposes of achieving an entity’s objectives, either by providing economic benefits or service potential.

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; or
- arises from contractual rights (including rights arising from binding arrangements) or other legal rights (excluding rights granted by statute), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

A merger is the establishment of a new combined entity in which none of the former entities obtain control over any other and no acquirer can be identified.

Non-controlling interest is the interest in the net assets of a controlled entity not attributable, directly or indirectly, to a controlling entity.

Owners (for the purposes of this Standard), is used broadly to include holders of residual interests.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity’s net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

A transfer of functions is the reorganisation and/or the re-allocation of functions between entities by transferring functions between entities or into another entity.

The acquisition method

The municipality accounts for each transfer of functions between entities not under common control by applying the acquisition method.

Applying the acquisition method requires:
(a) identifying the acquirer;
(b) determining the acquisition date;
(c) recognising and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree; and
(d) recognising the difference between (c) and the consideration transferred to the seller.

Determining what is part of the transfer of functions transaction

The municipality as acquirer and the acquiree may have a pre-existing relationship or other arrangement before or when negotiations for the transfer of functions began, or they may enter into a binding arrangement during the negotiations that is separate from the transfer of functions. In either situation, the municipality as acquirer identifies any amounts that are not part of what the municipality as acquirer and the acquiree (or its former owners) exchanged in the transfer of functions. The acquirer recognises as part of applying the acquisition method only the consideration transferred (if any) for the acquiree and the assets acquired and liabilities assumed by the municipality as acquirer in the transfer of functions as governed by the terms and conditions of the binding arrangement.

Subsequent measurement and accounting

1.6 Transfer of functions between entities not under common control (continued)

In general, a municipality as acquirer subsequently measure and account for assets acquired, liabilities assumed or incurred and the residual interest issued in a transfer of functions in accordance with other applicable Standards of GRAP for those items, depending on their nature.

1.7 Property Plant and Equipment

Initial recognition

Property Plant and Equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property plant and equipment is recognised as an asset when:
- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property Plant and Equipment is initially measured at cost.

The cost of an item of property plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property plant and equipment have different useful lives, they are accounted for as separate items (major components) of property plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property plant and equipment.

Property Plant and Equipment is carried at cost less accumulated depreciation and any impairment losses.

When an item of property plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Property Plant and Equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Property Plant and Equipment is carried at cost less accumulated depreciation and any impairment losses.

Accounting Policies

1.7 Property Plant and Equipment (continued)

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

Subsequent measurement - Cost model

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Where the municipality replaces parts of an asset, it de-recognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset

Subsequent measurement - Land
Land is not depreciated as it is deemed to have an indefinite useful life. Subsequent to initial recognition, land is measured at fair value.

Depreciation and impairment

Depreciation is calculated on the asset's depreciable amount, using the straight-line method over the useful lives of the asset. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives as per the MFMA - Local Government Capital Assets Management Guideline:

Asset Description	Depreciation method	Useful Lifespan
Roads, pavements, bridges and storm water	Straight line	5- 100 years
Street names, signs and parking meters	Straight line	5-45 years
Communicty halls	Straight line	25 years
Libraries	Straight line	25 years
Recreation facilities	Straight line	25-100 years
Cemetery fencing	Straight line	10 years
Motor vehicles	Straight line	7-10 years
IT equipment	Straight line	5-7 years
Plant and equipment	Straight line	5-10 years
Office equipment	Straight line	5-7 years
Operational plant and equipment	Straight line	6-10 years
Finance Lease assets - Office equipment	Straight line	3-5 years
Books and Publications	Straight line	10-20 years
Office Furniture	Straight line	5-10 years

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

Each part of an item of property plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation method used reflects the pattern in which the asset’s future economic benefits or service potential are expected to be consumed by the municipality. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

Accounting Policies

1.7 Property Plant and Equipment (continued)

The gain or loss arising from the derecognition of an item of property plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

The municipality separately discloses expenditure to repair and maintain property plant and equipment in the notes to the financial statements (see note).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note).

1.8 Intangible assets

Initial recognition

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licences, and development costs. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

Where an intangible asset has been acquired at no or for a nominal cost, its cost is its fair value on the date of acquisition...

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

Subsequent measurement - cost model

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test and the useful life is reviewed at each reporting date, and if the useful life has changed from indefinite and definite, it is treated as a change in accounting estimate in Statement of Financial Performance.

Amortisation and impairment

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. The annual amortisation rates are based on the following estimated average asset lives:

Item	Useful life
Licenses and franchises	2 -5 years
Computer software, other	5 -10years

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note).

Each item of intangible asset is amortised seperately.

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised prospectively as a change in accounting estimate in the Statement of Financial Performance.

1.8 Intangible assets (continued)

De-recognition.

Intangible assets are de-recognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

1.9 Heritage assets

Assets are resources controlled by an municipality as a result of past events and from which future economic benefits or service potential are expected to flow to the municipality.

Carrying amount is the amount at which an asset is recognised after deducting accumulated impairment losses.

Class of heritage assets means a grouping of heritage assets of a similar nature or function in an municipality's operations that is shown as a single item for the purpose of disclosure in the financial statements.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Standards of GRAP.

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

An impairment loss of a cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable amount.

An impairment loss of a non-cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable service amount.

The municipality separately discloses expenditure to repair and maintain heritage assets in the notes to the financial statements (see note).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note).

Initial recognition and measurement

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations

A heritage asset as an asset if:
a) it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and
b) the cost or fair value of the asset can be measured reliably.

A heritage asset that qualifies for recognition as an asset is measured at its cost. Where a heritage asset is acquired through a non-exchange transaction, its cost shall be measured at its fair value as at the date of acquisition.

Subsequent measurement

After recognition as an asset, a class of heritage assets, whose fair value can be measured reliably, shall be carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent impairment losses. Revaluations shall be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date.

If a heritage asset's carrying amount is increased as a result of a revaluation, the increase is credited directly to a revaluation surplus. However, the increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or deficit.

If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in surplus or deficit. However, the decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

1.9 Heritage assets (continued)

Impairment

A heritage asset shall not be depreciated but the municipality shall assess at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality shall estimate the recoverable amount or the recoverable service amount of the heritage asset.

Derecognition

The carrying amount of a heritage asset shall be derecognised:

(a) on disposal, or

(b) when no future economic benefits or service potential are expected from its use or disposal.

1.10 Investment property

Initial recognition

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:
- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Subsequent measurement

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

Derecognition

The carrying amount of investment property shall be derecognised:

(a) on disposal, or

(b) when no future economic benefits or service potential are expected from its use or disposal.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

Once the entity becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

The nature OR type of properties classified as held for strategic purposes are as follows:

1.11 Inventories

Initial recognition

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequequent recognition

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and current replacement cost where they are held for distribution at no charge or for nominal charge. Redundant and slow-moving inventories are identified and written down to the lower of cost or current replacement value. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

Unsold properties are held for own use with the result that it should be carried at the lower of cost or current replacement cost.

Cost formula

The cost of inventories is assigned by using the weighted average cost formula.

1.12 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property plant and equipment. Such obligations are referred to as ‘decommissioning, restoration and similar liabilities’. The cost of an item of property plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the cost model:

(a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
(b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
(c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

If the related asset is measured using the revaluation model:

(a) changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
   - a decrease in the liability (subject to (b)) is credited to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit
   - an increase in the liability is recognised in surplus or deficit, except that it is debited to the revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.
(b) in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit; and
(c) a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit or net assets under (a). If a revaluation is necessary, all assets of that class are revalued.

1.13 Provisions and contingent liabilities

Provisions are recognised when:
- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating surplus (deficit).

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 39.

The municipality does not recognise a contingent liability. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

(a) The municipality has a detailed formal plan for the restructuring identifying at least:

- the business or part of a business concerned;
- the location, function, and approximate number of employees who will be compensated for terminating their services;
- the expenditures that will be undertaken; and
- when the plan will be implemented; and

(b) The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

Accounting Policies

1.14 Leases

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.15 Revenue from exchange transactions

Revenue shall be measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates, VAT and other similar allowances.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Service charges

When the outcome of a transaction involving the rendering services can be estimated reliably, revenue associated with the transaction is recognised by the stage of completion of the transaction at the reporting date. The outcome of the transaction can be estimated reliably when the following are met:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- The amount of the revenue can be measured reliably .

Service charges relating to refuse removal are recognised on a monthly basis by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage and are levied monthly based on the number of refuse containers on each property, regardless of whether or not containers are emptied during the month.

Sale of goods

Revenue from the sale of goods shall be recognised when all the following conditions have been satisfied:

(a) the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
(b) the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
(c) the amount of revenue can be measured reliably;
(d) it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
(e) the costs incurred or to be incurred in respect of the transaction can be measured reliably.

1.15 Revenue from exchange transactions (continued)

Interest

Interest shall be recognised on a time proportionate basis that takes into account the effective interest yield on the asset.

Agency services

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

The revenue is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

Collection charges are recognised when incurred.

Accounting Policies

1.16 Revenue from non-exchange transactions

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Rates (including collection charges and penalty interest)

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis.

Rebates are respectively granted, to owners of land on which not more than two dwelling units are erected provided that such dwelling units are solely used for residential purposes. Additional relief is granted to needy, aged and/or disabled owners, based on income.

Assessment rates income is recognised once a rates account has been issued to ratepayers. Adjustments or interim rates are recognised once the municipal valuer has valued the change to properties.

Fines.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.Law enforcement official are able to impose fines on individuals considered to have breached the law. In these cases, the individual will normally have the choice of paying the fine, or going to court to defend the matter, where a defendant reaches an agreement with a prosecutor that includes the payment of penalty instead of being tried in court, the payment is recognised as a fine.

Fines are recognised at the full amount at transaction date. Subsequent to the initial recognition of revenue charged, the fines are assessed for impairment when the accounts fall into arrears.

Other revenue.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

1.17 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

Accounting Policies

1.17 Employee benefits (continued)

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the entity during a reporting period, the entity recognise the contribution payable to a defined contribution plan in exchange for that service:
- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

1.17 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the entity recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognise past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The entity account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the entity's informal practices. Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the entity's informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The entity measure the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

The entity determine the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the financial statements do not differ materially from the amounts that would be determined at the reporting date.

Accounting Policies

1.17 Employee benefits (continued)

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The entity uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an entity shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an entity shall attribute benefit on a straight-line basis from:
- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The entity recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:
- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the entity re-measure the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is [OR is not] presented as the net of the amount recognised for a reimbursement.

The entity offsets an asset relating to one plan against a liability relating to another plan when the entity has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

Accounting Policies

1.17 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:
- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
- those changes were enacted before the reporting date; or
- past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

Other post retirement obligations

The municipality provides post-retirement health care benefits upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The municipality also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:
- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The entity shall recognise the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:
- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

1.18 Offsetting

Financial assets and liabilities are offset and the net amount reported on the Statement of Financial Position when there is a legally enforcement right to set off the recognised amount, and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

1.19 Compound instruments

Conditional grants, donations and funding are recognised as revenue in the Statement of Financial Performance to the extent that the Municipality has complied with any criteria, conditions or obligations embodied in an agreement/ arrangement. To the extent that the criteria, conditions and obligations have not been met a liability is raised in the Statement of Financial Position. Unconditional grants, donations and funding are recognised as revenue in the Statement of Financial Position at the earlier of the date of receipt or when the amount is receivable.

Interest earned on the investment is treated in accordance with grant conditions.

Accounting Policies

1.20 Accumulated surplus

A statement of changes in net assets is included in the Annual Financial Statements that discloses the following:

- the effect of changes in accounting policies and correction of errors;

- the balance of retained earnings at the beginning of the period and at the balance sheet date and the changes during the period; and

- a reconciliation between the carrying amount of each class of reserves at the beginning and the end of the period.

1.21 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

The municipality is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the municipality to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the municipality is exempt from the disclosures in accordance with the above, the municipality discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity’s financial statements to understand the effect of related party transactions on its financial statements.

1.22 Changes in accounting policies and estimates and prior year errors

Accounting policies

Accounting policies are only changed if required by an accounting standards or interpretation, the change will provide more relevant and reliable information or in terms of the transitional provisions of the new standards.

Accounting policy changes are applied retrospectively, including all comparative periods shown and their opening balances.

Change in estimates

The effect of a change in an accounting estimate is recognised prospectively by including it in surplus or deficit in:

(a) the period of the change, if the change affects that period only; or

(b) the period of the change and future periods, if the change affects both.

Prior period errors

Corrections are made retrospectively in the first set of financial statements authorised for issue after their discovery by:

Accounting Policies

1.22 Changes in accounting policies and estimates and prior year errors (continued)

(a) restating the comparative amounts for the prior period presented in which the error occurred; or

(b) if the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and net assets for the earliest prior period presented.

1.23 Impairment of cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets used with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

Judgements made by management in applying the criteria to designate assets as cash-generating assets or non-cash-generating assets, are as follows:

[Specify judgements made]

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Accounting Policies

1.23 Impairment of cash-generating assets (continued)

Basis for estimates of future cash flows

In measuring value in use the municipality:
- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

Composition of estimates of future cash flows

Estimates of future cash flows include:
- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:
- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the municipality expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset’s revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.23 Impairment of cash-generating assets (continued)

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

Accounting Policies

1.23 Impairment of cash-generating assets (continued)

Reversal of impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

1.24 Impairment of non-cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

1.24 Impairment of non-cash-generating assets (continued)

Useful life is either:
- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

Judgements made by management in applying the criteria to designate assets as non-cash-generating assets or cash-generating assets, are as follows:

[Specify judgements made]

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also test a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset’s gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the current reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an “optimised” basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset’s revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Accounting Policies

1.24 Impairment of non-cash-generating assets (continued)

Reversal of an impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.25 Significant judgements and estimates

Use of estimates.

The use of accounting estimates is an essential part in the preparation of financial statements. They arise as a result of uncertainties inherent in delivering goods, services and conducting trading activities.

The use of estimates does not undermine the reliability of the information presented as the estimate should be made using the latest available and most reliable information.

As and when the information on which the estimate is based changes, it also becomes necessary to revise the previous estimate. By nature, the revision of an estimate does not have an effect on prior periods and is therefore not a correction of a prior period error. A revision of an accounting estimate won't be seen to be a correction of an error provided the estimate was based on the latest and most reliable information available at the time that the estimate was made. An example of a change in accounting estimate will be the reassessment of the prior period impairment loss based on new information available in the current financial period.

Other provisions

Pension and other employment benefits

Post-employment benefits offered by the entity take the form of defined benefit plans. The cost of defined benefit pension plans, other post-employment medical benefits, and the present value of the pension obligation are determined using actuarial valuations.

An actuarial valuation involves making various assumptions. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

For key actuarial assumptions, refer to Notes 17.

1.26 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

The notes to the financial statements must disclose the nature and amount of each material individual and each material class of capital expenditure commitment as well as non-cancellable operating leases contracted for at the reporting date.

Accounting Policies

1.26 Commitments (continued)

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.27 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.28 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.29 Presentation of budget policy

The following is presented as a note to the Financial Statement:

Last approved and final budget amounts (which includes changes made by management within the prescribed limits), budget and actual amounts on a comparable basis; and explanations of material differences between budget and actual amounts, except where explanations have been included in other documents published in conjunction with the financial statements and cross reference to these documents is made.

1.30 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act 56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.31 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

(a) this Act; or
(b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
(c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

1.31 Irregular expenditure (continued)

Irregular expenditure is expenditure that is contrary to the Municipal Finance Act (Act 56 of 2003), the Municipal Systems Act (Act 32 of 2000), the Public Office Bearers Act (Act 20 of 1998) or is in contravention of the municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.32 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.33 Events after reporting date

Events that occur after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue.

Adjusting events

Events that provided additional evidence of the conditions that existed at the end of the reporting period.

Non-adjusting events.

Events which are indicative of the conditions that arose after the reporting period.

An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectible, it is written off. Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

1.34 Value Added Tax (VAT)

The municipality accounts for Value Added Tax on the cash basis.

Notes to the Financial Statements

Figures in Rand	2019	2018

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 12 (as amended 2016): Inventories	01 April 2018	Unlikely there will be a material impact
• GRAP 16 (as amended 2016): Investment Property	01 April 2018	Unlikely there will be a material impact
• GRAP 17 (as amended 2016): Property, Plant and Equipment	01 April 2018	Unlikely there will be a material impact
• GRAP 21 (as amended 2016): Impairment of non-cash-generating assets	01 April 2018	Not expected to impact results but may result in additional disclosure
• GRAP 26 (as amended 2016): Impairment of cash-generating assets	01 April 2018	Unable to reliably estimate the impact
• GRAP 27 (as amended 2016): Agriculture	01 April 2018	Unable to reliably estimate the impact
• GRAP 31 (as amended 2016): Intangible Assets	01 April 2018	Unlikely there will be a material impact
• GRAP 103 (as amended 2016): Heritage Assets	01 April 2018	Unlikely there will be a material impact
• Directive 12: The Selection of an Appropriate Reporting Framework by Public Entities	01 April 2018	Unlikely there will be a material impact

2.2 Standards and Interpretations early adopted

The municipality has chosen to early adopt the following standards and interpretations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 105: Transfers of functions between entities under common control	01 April 2019	Not expected to impact results but may result in additional disclosure
• GRAP 106 (as amended 2016): Transfers of functions between entities not under common control	01 April 2019	Not expected to impact results but may result in additional disclosure

2.3 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality’s accounting periods beginning on or after 01 July 2019 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 34: Separate Financial Statements	01 April 2020	Unlikely there will be a material impact
• IGRAP 1 (revised): Applying the Probability Test on Initial Recognition of Revenue	01 April 2020	Impact is currently being assessed
• IGRAP 20: Accounting for Adjustments to Revenue	01 April 2020	Impact is currently being assessed
• Directive 7 (revised): The Application of Deemed Cost	01 April 2019	Unlikely there will be a material impact

Notes to the Financial Statements

• Guideline: Guideline on the Application of Materiality to Financial Statements	01 April 2099	Impact is currently being assessed
• GRAP 104 (revised): Financial Instruments	01 April 2099	Impact is currently being assessed
• GRAP 37: Joint Arrangements	01 April 2020	Unlikely there will be a material impact
• GRAP 110 (as amended 2016): Living and Non-living Resources	01 April 2020	Unlikely there will be a material impact

3. Inventories

Raw materials, components	47 774	162 002

3.1 Movement for inventories

Stationery	14 526	14 221
Consumables	(1 295)	(6 844)
Maintenance - Building material	(127 459)	127 459
	(114 228)	**134 836**

Held for own use with the aim that it should be carried at the lower of cost or current replacement cost. Inventory has not been pledged as security for liabilities.

4. Receivables from exchange transactions

Trade debtors - Refuse / waste management	1 854 313	1 868 275
Less: Provision for Doubtful Debts	(10 392 745)	(6 049 743)
Other debtors - sundry debtors	11 701 890	7 038 932
	3 163 458	**2 857 464**

Aged debtors

Refuse and other	2019	2018
Current (0 - 30 days)	1 296 025	1 097 128
31 - 60 days	1 162 137	248 959
61 - 90 days	972 588	684 603
91 - 120 days	797 399	698 391
120 days +	9 281 693	6 129 978
	13 509 842	**8 859 059**

Receivables from exchange transactions at 30/06/2018: R R8 859 059 (30/06/2016: R4 538 679).

Reconciliation of provision for impairment of trade and other receivables

Opening balance	6 049 743	3 941 662
Provision for impairment	4 343 002	2 108 081
	10 392 745	**6 049 743**

5. Receivables from non-exchange transactions

Fines	3 455 575	2 919 845
Consumer debtors	92 757 333	68 892 544
Provision for Impairmenty - Debtors for rates and traffic fines	(76 510 365)	(54 713 636)
	19 702 543	**17 098 753**

Notes to the Financial Statements

Figures in Rand	2019	2018

Debtors for rates and traffic fines

	2019	2018
Rates	94 216 134	68 892 544
Less: Provision for debt impairment	(74 013 904)	(52 559 498)
	20 202 230	**16 333 046**

	2019	2018
Debtors for traffic fines	3 455 575	2 919 845
Less : Provision for debt impairment	(2 496 460)	(2 154 138)
	959 115	**765 707**

Debtors ageing
Rates

	2019	2018
Current (0 - 30 days)	6 594 660	7 262 731
31 - 60 days	4 191 783	3 962 104
61 - 90 days	3 617 470	3 164 679
91 - 120 days	3 295 011	2 968 791
120 days +	76 517 211	51 534 239
Sub-total (rates)	94 216 135	68 892 544
Traffic fines	3 455 575	2 919 845
	97 671 710	**71 812 389**

Receivables from non-exchange transactions at was R 97 671710 for 30 June 2019 and R 71 843 417 on 30 June 2018.

Summary of debtors.

Summary of debtors by customers classification:
Rates, traffic, refuse & other

		Consumers	Industrial Commercial	Government	Total
Current (0 -30 days)	-	2 585 068	2 942 760	1 893 452	7 421 280
31 - 60 days	-	1 388 056	1 981 709	1 692 945	5 062 710
61 - 90 days	-	1 183 744	1 764 430	1 551 139	4 499 313
91- 120 days	-	967 845	1 581 913	1 460 504	4 010 262
120 days +	-	18 997 568	37 502 881	27 678 687	84 179 136
Subtotal (aged debtors)	-	25 122 281	45 773 693	34 276 727	105 172 701
Traffic fines (not aged)	-	-	-	-	3 455 575
	-	**25 122 281**	**45 773 693**	**34 276 727**	**108 628 276**

Reconciliation of debt impairment provision

	2019	2018
Balance at the beginning of the year	60 763 349	52 517 970
Adjustments to provision	26 139 730	8 245 409
	86 903 079	60 763 349
Balance at the end of the year	(86 903 079)	(60 763 349)
	-	-

Rates, traffic fines, refuse & other

	2019	2018
Balance at the beginning of the year	(60 763 379)	(52 517 940)
Adjustments to provision:		
Refuse & other	(4 343 002)	(2 108 081)
Rates	(21 454 406)	(6 615 855)
Traffic fines	(342 322)	478 527
	(86 903 109)	**(60 763 349)**

Notes to the Financial Statements

Figures in Rand	2019	2018
Consists of:		
Refuse & other	(6 049 743)	(6 049 743)
Rates	(52 559 498)	(52 559 498)
Traffic fines	(2 496 460)	(2 154 138)
	(61 105 701)	**(60 763 379)**

The amount for the provision as at 30 June 2019 was R 61 105 701 and on 30 June 2018 was R 60 763 379

In light with the accounting policy of Maruleng Municipality on account receivables, a provision is made on accounts which are overdue for more than 90 days. Based on the debtor's ageing analysis above, an average of 73% is noted on accounts which are overdue in the previous three years which indicates the significant backlog of recoverability of outstanding debtors that falls due for over 90 days and therefore the provision made based on 90 days plus benchmark appears to be reasonable.

6. VAT receivable

	2019	2018
VAT	26 964 774	14 084 928
VAT	(16 870 656)	(1 207 433)
	10 094 118	**12 877 495**

VAT is accounted for on cash basis.

7. Other asset 2

	2019	2018
Other Debtors	3 068 770	1 363 251
Other receivables		
Other receivables	792 027	542 322
Inter-municipal receivables		
Gross debtors	24 003 740	23 474 784
Provision for debt impairment	(24 003 740)	(23 474 784)
	-	**-**
Other debtors		
Other debtors	571 225	196 931

Reconciliation of debt impairment provision

	2019	2018
Inter-municipal debtors		
Balance at the beginning of the year	(23 474 748)	(22 637 207)
Adjustments to provision	(528 992)	(837 577)
	(24 003 740)	**(23 474 784)**

8. Cash and cash equivalents

Cash and cash equivalents consist of:

	2019	2018
Cash on floats	710	710
Bank balances	16 420 366	23 469 057
Call deposits	121 471 649	108 400 139
	137 892 725	**131 869 906**

The municipality had the following bank accounts

9. Investment property

	2019			2018		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Investment property	8 750 000	-	8 750 000	6 796 836	-	6 796 836

Reconciliation of investment property - June 2018

	Opening balance	Fair value adjustments	Total
Investment property	6 796 836	1 953 164	8 750 000

Reconciliation of investment property - June 2017

	Opening balance	Total
Investment property	6 796 836	6 796 836

Investment property is valued at fair value as at 30 June 2019.

The investment property relates to property on land owned by the municipality.

Valuation details.

The effective date of the valuation was 30 June 2019.

The valuation was performed by an an independednt valuer, Mr T Madonsela, who is not connected to the municipality and has experience and knowledge regarding the location and category of the property being valued.

The valuation was based on open market value for existing use.

The assumptions used to arrive at the fair values were based on current market conditions.

Pledged as security

During the financial period ended 30 June 2019, no components of investment property were pledged as security for-borrowings or banking facilities.

Notes to the Financial Statements

Figures in Rand

10. Property Plant and Equipment

	2019			2018		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Land	20 872 000	-	20 872 000	20 871 999	-	20 871 999
Plant and machinery	4 155 439	(665 142)	3 490 297	1 104 942	(579 971)	524 971
Furniture and fixtures	5 985 102	(3 742 002)	2 243 100	5 985 429	(4 107 329)	1 878 100
Transport assets	11 320 218	(4 216 496)	7 103 722	7 846 668	(2 881 635)	4 965 033
Computer equipment	2 548 776	(2 020 026)	528 750	2 413 744	(1 740 177)	673 567
Infrastructure - roads	182 259 767	(27 417 711)	154 842 056	125 876 142	(21 509 823)	104 366 319
Community assets	227 162 863	(99 776 932)	127 385 931	226 360 238	(89 553 762)	136 806 476
WIP - Infrastructure	131 709 043	-	131 709 043	105 496 317	-	105 496 317
Electrical infrastructure	10 412 030	(9 446 957)	965 073	10 688 345	(9 290 240)	1 398 105
Other assets	96 813	(87 784)	9 029	96 813	(77 475)	19 338
Solid waste infrastructure	552 410	(477 761)	74 649	552 410	(456 433)	95 977
Storm water infrastructure	16 854 820	(1 904 811)	14 950 009	16 854 820	(1 343 986)	15 510 834
Total	**613 929 281**	**(149 755 622)**	**464 173 659**	**524 147 867**	**(131 540 831)**	**392 607 036**

Notes to the Financial Statements

Figures in Rand

Reconciliation of property, plant and equipment - June 2019

	Opening balance	Additions	Additions through transfer of functions / mergers	Disposals	Transfers received	Foreign exchange movements	Depreciation	Impairment loss	Total
Land	20 872 000	-	-	-	-	-	-	-	20 872 000
Plant and machinery	524 971	3 134 440	-	(11 506)	-	-	(132 798)	(24 810)	3 490 297
Furniture and fixtures	1 878 100	1 133 956	-	(62 960)	-	-	(526 328)	(179 668)	2 243 100
Transport assets	4 965 033	3 473 550	-	-	-	-	(1 334 861)	-	7 103 722
Computer equipment	673 567	248 161	-	(28 787)	-	-	(279 849)	(84 342)	528 750
Infrastructure - roads	104 366 319	-	-	-	56 383 626	-	(4 719 498)	(1 188 391)	154 842 056
Community assets	136 806 476	1 292 952	-	(171 614)	-	-	(10 541 883)	-	127 385 931
WIP - Infrastructure	105 496 317	82 596 352	-	-	(56 383 626)	-	-	-	131 709 043
Electrical infrastructure	1 398 105	-	-	(57 901)	-	-	(370 246)	(4 885)	965 073
Other assets	19 338	-	-	-	-	-	(8 538)	(1 771)	9 029
Solid waste infrastructure	95 977	-	-	-	-	-	(21 328)	-	74 649
Storm water infrastructure	15 510 834	-	-	-	-	-	(287 313)	(273 512)	14 950 009
	392 607 037	**91 879 411**	**-**	**(332 768)**	**-**	**-**	**(18 222 642)**	**(1 757 379)**	**464 173 659**

Reconciliation of property, plant and equipment - June 2018

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	20 871 999	-	-	-	-	-	20 871 999
Plant and machinery	706 490	32 478	-	-	(181 596)	(32 401)	524 971
Furniture and fixtures	1 713 371	863 782	-	-	(675 629)	(23 424)	1 878 100
Motor vehicles	5 772 803	-	-	-	(807 770)	-	4 965 033
Computer equipment	994 796	136 762	-	-	(455 381)	(2 610)	673 567
Infrastructure - roads	84 336 037	29 100	(2 347)	23 015 273	(3 011 744)	-	104 366 319
Community assets	133 542 593	-	-	18 365 595	(10 727 750)	(4 373 962)	136 806 476
WIP - Infrastructure	68 899 815	82 030 639	-	(45 434 137)	-	-	105 496 317
Electrical infrastructure	2 010 041	-	(156 802)	-	(455 134)	-	1 398 105
Other assets	66 929	-	-	-	(20 691)	(26 900)	19 338
Solid Waste Infrastructure	134 262	-	-	-	(38 285)	-	95 977
Storm water Infrastructure	11 710 225	-	-	4 053 269	(252 660)	-	15 510 834
	330 759 361	**83 092 761**	**(159 149)**	**-**	**(16 626 640)**	**(4 459 297)**	**392 607 036**

Land was fair valued on 30 June 2016.

Valuation details.

The effective date of the valuations remains 30 June 2016.

The valuation was performed by an an independednt valuer, Hangwani Petrus Matildza, who is not connected to the municipality and has experienced and knowledge regarding the location and category of the property being valued. The valuation was based on open market value for existing use. All assumptions used to arrive at the fair values were based on current market conditions. The Council policy is to revalue every four years.

Pledged as security

During the financial year ended 30 June 2019, no components of property, plant and equipment were pledged as security for borrowings or banking facilities.

The municiplaity is initiationg a process of engaging the private occupier in erf 196 to enter into a new arrangement. The land was leased to the private occupier pre 1994 at 99c per annum.

Notes to the Financial Statements

Figures in Rand	2019	2018

Other information

Property, plant and equipment fully depreciated and still in use (Gross carrying amount)	Number of assets	Residual Value
Furniture and office equipment	54	6 558
Machinery and equipment	8	6 539
Transport assets	5	380 249
	67	**393 346**

11. Intangible assets

	2019			2018		
	Cost / Valuation	**Accumulated amortisation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated amortisation and accumulated impairment**	**Carrying value**
Computer software	1 084 089	(785 795)	298 294	1 084 089	(636 622)	447 467

Reconciliation of intangible assets - June 2019

	Opening balance	Additions	Amortisation	Total
Computer software	447 467	-	(149 173)	298 294

Reconciliation of intangible assets - June 2018

	Opening balance	Amortisation	Total
Computer software	616 792	(169 325)	447 467

Pledged as security

During the financial period ended 30 June 2019, no components of intangible assets were pledged as security for borrowings or banking facilities.

12. Heritage assets

	2019			2018		
	Cost / Valuation	**Accumulated impairment losses**	**Carrying value**	**Cost / Valuation**	**Accumulated impairment losses**	**Carrying value**
Heritage assets	222 000	-	222 000	222 000	-	222 000

Reconciliation of heritage assets - June 2019

	Opening balance	Total
Heritage assets	222 000	222 000

Notes to the Financial Statements

Figures in Rand	2019	2018

13. Payables from exchange transactions *Restated

Trade creditors	50 098	310 393
Accruals	10 783 173	4 863 931
Retentions	16 589 073	14 152 127
Unknown deposits	2 064 299	2 145 474
Operating lease - deferred liability	26 844	-
	29 513 487	**21 471 925**

14. Trade and other payables from non exchange transactions

Refunds arising from non-exchange revenue	-	79 003
Amounts received in advance - Consumer debtors	4 409 585	4 942 186
Trade and other payables	1 067 192	1 424 209
	5 476 777	**6 445 398**

15. Employee benefit obligations Short term

The total amounts recognised in the statement of financial position are as follows:

Leave provision	6 980 485	5 185 528
Bonus provision	1 218 017	1 239 513
Provision for performance bonuses	626 057	611 464
	8 824 559	**7 036 505**

Performance bonuses are paid one year in arrears as the assessment of eligible employees takes place after the reporting date. The perfomance bonuses are only applicable to directors. In order to qualify for a perfomance bonus, an employee must have been employed for a minimum period of twelve months.

16. Unspent conditional grants and receipts

Conditional Grants from other spheres of government	2019	2018
Municipal Infrastructure Grant	4 919	98
Expanded Public Works Programme Grant	192	192
	5 111	**290**

This highlights the nature and extent of the government grants recognised in the financial statements, indication of the other forms of government assistance from which the municipality has directly benefited, unfulfilled conditions and other contigencies attaching to government assistance that has been recognised. See note 26 for the reconciliation of grants from other spheres of government. These amounts are invested in a ring-fenced investment until utilised.

Notes to the Financial Statements

Figures in Rand	2019	2018

17. Provisions

Amounts recognised in the statement of financial position are as follows:	2019	2018
Long service awards	3 047 575	3 293 859
Post employment medical aid	7 934 785	6 879 809
	10 982 360	**10 173 668**

Long service awards.

Long service awards relate to the legal obligation to provide long service leave awards.
.
Actuarial benefits has been perfomed on all 150 employees as at 30 June 2019 that are entitled to long services awards.The long service awards liability is not a funded arrangement, i.e no separate assets have been set aside to meet this liabilty.

Maruleng offers bonuses every five years of completed services from 10 years to 45 years.

The unfunded accrual liability at the valuation date is R3 047 575 (2018 - R3 293 859).

The amount recognised in the statement of financial position is as follows:	2019	2018
Carrying value		
Present value of the defined benefit obligation-wholly unfunded	3 047 575	3 293 859

Change in the present value of the defined benefit obligation are as follows:	2019	2018
Opening accued liability	3 293 859	2 780 932
Current service cost	296 857	333 505
Interest cost	286 518	228 497
Acturial gains/losses	(489 829)	235 156
Expected contributions (benefits paid)	(339 830)	(284 231)
	3 047 575	**3 293 859**

Calculation of actuarial gains and losses	2019	2018
Acturial losses/ (gains) - obligation	(489 829)	235 156

Notes to the Financial Statements

Figures in Rand	2019	2018

Key assumptions used

Assumption used at the reporting date		
Discount rates used	8.66%	9.18%
General salary inflation	5.77%	6.73%
Net discount rate	2.73%	2.30%
Normal retirement age	63	63

Post employment medical aid

An actuarial valuation has been performed in respect of post-employment medical benefits which employees may become entitled to after retirement.

The employee post employment health care liability consists of the commitment to pay a portion of the Pensioners Medical Scheme contributions. This liability is also generated in respect of dependents who are offered continued membership of the medical schemes after the death of the pensioner.

A summary of assumptions was provided to the municipality.

The medical aid contribution is an actuarial calculation which was performed by ONE Pangaea, an acturial consulting company specialising in the valuation of employee benefit liabilities for accounting disclosure purposes. Currently there are no pensioners being subsidised for medical aid contributions henece no benefits payment

.

The amount recognised in the statement of financial position is as follows:

Carrying value		
Present value of the defined benefit obligation- wholly unfunded	7 934 785	6 879 809

Change in the present value of the defined benefit obligation are as follows:		
Opening accrued liability	6 879 809	5 304 603
Current service cost	796 803	596 420
Interest cost	732 699	535 377
Acturial gains and losses	(474 526)	443 409
	7 934 785	**6 879 809**

Calculation of actuarial gains and losses		
Actuarial gains/ (losses)	(474 526)	443 409

Key assumptions used

Assumption used at the reporting date		
Discount rates used	11.32%	10.65%
Net discount rate	2.54%	2.13%
Health care cost inflation	8.56%	8.34%
Consumer cost inflation	7.06%	6.84%

18. Agency fees

	2019	2018
Gross receipts from vehicle licensing	10 627 915	10 281 103
Transfers to Department of Roads and Transport	(8 838 601)	(8 348 824)
	1 789 314	**1 932 279**

Notes to the Financial Statements

Figures in Rand	2019	2018

	2019	2018
Agency fees from Mopani District Municipality	191 927	197 514

	2019	2018
Gross total	1 981 241	2 129 794

19. Finance income

Interest revenue		
Interest receivables - external investments	8 071 510	6 748 684
Interest charged on trade and other receivables	6 187 882	3 536 984
	14 259 392	**10 285 668**

20. Licences and permits

Traffic learners and drivers' licences	2 716 240	2 490 110

21. Lease rentals on operating lease

Equipment		
Contractual amounts	1 054 755	-

22. Other revenue

Building inspection fee	212 211	279 417
Building plans	677 889	1 333 129
Library fines	2 275	694
Library membership fees	4 615	4 670
Membership fees	30 562	39 751
Clearance certificates	261 245	345 874
Handling fees	-	49 217
Rezoning	118 000	149 779
Signboards, adverts etc	22 924	42 003
Site development	-	32 163
Tender documents	358 708	134 400
Town planning fees	-	976
Trading licence fees	1 497	1 282
Valuation certificates	5 396	7 407
Zoning certificates	1 912	6 223
	1 697 234	**2 426 985**

23. Service charges

Refuse removal	3 497 886	3 150 246

Notes to the Financial Statements

Figures in Rand	2019	2018

24. Property rates

Rates received

Property rates	94 162 572	82 364 883
Less: Income forgone	(15 104 706)	(12 095 452)
	79 057 866	**70 269 431**

Valuations

Residential	3 056 042 875	3 338 155 689
Commercial	794 387 212	524 466 700
State	620 509 000	540 362 000
Agricultural	6 246 808 303	5 390 872 105
Other	595 274 209	656 490 530
	11 313 021 599	**10 450 347 024**

The current valuation roll was implemented with effect from 01 July 2012 for the period up to 30 June 2017. Supplementary valuations created additional billing and resulted in an increase of revenue due to the conducting and implementation supplementary valuations. The municipality implemented the supplementary general valuation roll for the period ended 30 June 2016 which led to an increase of debtors book and increase in billing for property rates. The implementation of a new general valuation roll was performed for the 2017/18 financial period.

25. Traffic fines

Traffic fines	607 071	398 600

Notes to the Financial Statements

Figures in Rand	2019	2018

26. Government grants and subsidies

Operating grants		
Equitable share	109 126 000	99 298 000
Financial Management Grant (FMG)	1 900 000	1 900 000
Expanded Public Works Programme (EPWP)	1 169 000	1 123 808
	112 195 000	**102 321 808**
Capital grants		
Municipal Infrastructure Grant	41 332 179	27 222 902
	153 527 179	**129 544 710**

Operating grants consist of:

Unconditional grants received - Equitable Share	109 126 000	102 321 807
Conditional grants received - Financial Management Grant (FMG)	1 900 000	1 900 000
Conditional grants received - Expanded Public Works Programme	1 161 000	1 123 807
	112 187 000	**105 345 614**

Equitable Share

In terms of the Constitution, this is an unconditional grant used to subsidise the provision of basic services to indigent community members.

Current-year receipts	109 126 000	99 298 000
Conditions met - transferred to revenue	(109 126 000)	(99 298 000)
Unspent amount transferred to liabilities	**-**	**-**

The purpose of the grant is for institutional systems. No funds were withheld or delayed.

Finance Management Grant

Current-year receipts	1 900 000	1 900 000
Conditions met - transferred to revenue	(1 900 000)	(1 900 000)
Unspent amount transferred to liabilities	**-**	**-**

(See note 16).

This grant was used to promote and support reforms to municipal financial management and the implementation of the MFMA, 2003. The conditions of the grant were met.

Notes to the Financial Statements

Figures in Rand	2019	2018

Expanded Public Works Programme Grant

Balance unspent at beginning of year	192	-
Current-year receipts	1 161 000	1 124 000
Conditions met - transferred to revenue	(1 160 999)	(1 123 808)
Unspent amount transferred to liabilities	**193**	**192**

(See note 16).

This grant is used to provide skills and temporary work to unemployed people.

Capital Grants

Balance unspent at beginning of year	98	-
Current-year receipts	41 332 179	27 223 000
Conditions met - transferred to revenue	(41 327 358)	(27 222 902)
	4 919	**98**

Capital grants consist of:		
Municipal Infrastructure Grant	41 332 179	27 222 902

This grant was used to construct the municipal infrastructure to provide basic services for the benefits of the households within the municipality's jurisdiction. The conditions of the grant were met. No funds have been withheld by National Treasury and grounds of failure to meet grant conditions.

Municipal Infrastructure Grant (MIG)		
Balance unspent at beginning of financial year	98	-
Current year receipts	41 332 179	27 223 000
Conditions met - transferred to revenue	(41 327 358)	(27 222 902)
Balance unspent at beginning of financial year	**4 919**	**98**

(See note 16)

This grant was used to construct the municipal infrastructure to provide basic services for the benefits of the households within the municipality's jurisdiction. The conditions of the grant were met. No funds have been withheld by National Treasury on grounds of failure to meet grant conditions.

Figures in Rand	2019	2018

27. Employee related costs

Employee related costs - Salaries and wages	46 708 300	39 674 581
Employee related costs - social contributions	10 365 255	9 899 368
Travel, motor car, accommodation, subsistence and other allowances	4 762 864	4 224 691
Long-service awards	296 857	779 861
Housing benefits and allowances	961 900	720 271
Post retirement benefits	796 803	1 575 206
	63 891 979	**56 873 978**

Municipal Manager

Annual Remuneration	-	424 718
Performance Bonuses	-	230 704
Contributions to UIF, Medical and Pension Funds	-	119 509
Other	-	78 460
	-	**853 391**

The post of Accounting officer was acted by three officials during the year under review, (Ms Mokonyana L, Mr KV Sithole and Mr MC Machubene). The position of accounting officer was vacant from July 2018.

Remuneration of Chief Financial Officer

Ms F Sekgobela was appointed as the acting Chief Financial Officer from 1 July 2017 to date and her acting allowance was R 9 987.74.

Director: Technical Services

Annual Remuneration	503 715	-
Travel and other allowances	231 133	-
Contributions to UIF, medical and Pension Funds	1 260	-
	736 108	**-**

Director: Community Services

Annual Remuneration	437 418	784 560
Car Allowance	133 156	130 827
Payments in lieu of leave	211 792	-
Travel and other allowances	175 943	95 641
Contributions to UIF, medical and Pension Funds	96 019	182 096
	1 054 328	**1 193 124**

Director: Spatial Development and Planning

Annual Remuneration	541 378	631 258
Car Allowance	154 374	152 942
Travel and other allowances	155 083	227 626
Contributions to UIF, medical and Pension Funds	89 581	187 942
	940 416	**1 199 768**

Director: Corporate Services

Annual Remuneration	439 287	-
Contributions to UIF, Medical and Pension Funds	85 657	-
Travel and other allowances	224 695	-
	749 639	**-**

Notes to the Financial Statements

Figures in Rand	2019	2018

28. Remuneration of councillors

Remuneration of councillors		
Mayor	874 028	836 713
Speaker	695 150	680 983
Executive Committee members	2 346 210	2 287 026
Councillors part time	6 083 041	5 560 863
Councillors full time	660 320	1 001 778
	10 658 749	**10 367 363**

Councillors are classified based on their respective positions as at 30 June 2019 or the last day of service, as the case may be.

The Mayor, Speaker and three councillors are full time. Each is provided with an office and secretarial support at the cost of Council.

The Mayor has access to a municipal vehicle for official duties and is allocated a municipal house that can also be used to entertain official guests.

29. Depreciation and amortisation

Property Plant and Equipment	1 334 861	807 770
Electrical infrastructure	370 246	455 134
Machinery and Equipment	132 798	181 596
Furniture and Office Equipment	526 328	675 629
Computer Equipment	279 849	455 381
Roads Infrastructure	4 719 498	3 011 744
Storm water Infrastructure	287 313	252 660
Community Assets	10 541 883	10 727 751
Other assets	8 538	20 691
Solid Waste Infrastructure	21 328	38 285
Intangible assets	149 173	169 325
	18 371 815	**16 795 966**

30. Impairment loss

Impairments		
Property Plant and Equipment	763 719	4 373 962
Machinery and Equipment	24 810	32 401
Library books	1 771	26 900
Computer Equipment	52 260	2 610
Furniture and office equipment	179 667	23 424
Electrical infrastructure	4 885	-
Roads infrastructure	1 188 391	-
Storm water infrastructure	273 512	-
	2 489 015	**4 459 297**

31. Finance costs

Finance leases	-	25 165
Other interest paid	1 019 217	-
	1 019 217	**25 165**

Notes to the Financial Statements

Figures in Rand	2019	2018

32. General expenses

Compensation Commissioner	402 908	349 468
Advertising	226 597	343 507
Audit fees	4 484 135	3 373 397
Bank charges	281 725	225 217
Computer expenses	39 300	25 950
Legal expenses	2 376 573	486 447
Free basic electricity	332 118	368 594
Insurance	1 084 088	372 467
Functions and events	8 047 946	5 663 506
Fuel and oil	1 609 249	994 173
Printing and stationery	1 189 691	968 445
Repairs and maintenance	2 171 958	1 026 186
Subsistence, travel & accomodation	9 616 145	6 636 650
Training	755 957	752 513
Telephone & cellphone costs	963 499	582 741
Electricity - Utilities	1 846 708	3 602 679
Internal Audit	512 873	269 041
Membership fees	821 096	779 374
Stores and material	311 749	121 688
Ward committes	3 063 189	2 956 956
EPWP	-	860 209
Professional fees	11 161 271	12 910 405
Bursary Fund	135 510	293 727
Other expenses	937 829	763 656
	52 372 114	**44 726 996**

33. Loss on disposal of assets

Loss on disposal of assests		
Porperty, plant and equipment	332 769	159 149

34. Cash generated from operations

Surplus	71 436 622	71 992 991
Adjustments for:		
Depreciation and amortisation	18 371 816	16 795 966
Gain on sale of assets and liabilities	332 769	-
Fair value adjustments	(1 953 164)	-
Impairment deficit	1 757 379	4 459 298
Debt impairment	26 139 730	-
Movements in retirement benefit assets and liabilities	1 788 054	1 337 552
Movements in provisions	808 692	2 088 133
Prior period error	(75 714)	(274 333)
Changes in working capital:		
Inventories	114 228	(134 836)
Receivables from exchange transactions	(2 353 835)	(2 260 447)
Other receivables from non-exchange transactions	(28 401 198)	(9 976 053)
Other asset 3	-	(623 998)
Payables from exchange transactions *Restated	8 041 562	4 956 675
VAT	2 783 377	14 130 098
Taxes and transfers payable (non exchange)	(968 621)	1 057 299
Unspent conditional grants and receipts	4 822	290
	97 826 519	**103 548 635**

Notes to the Financial Statements

Figures in Rand	2019	2018

35. Additional disclosures in terms of Section 125 of Municipal Finance

	2019	2018
Contribution to SALGA		
Council membership fees payable	821 096	768 318
Amount paid current year	(821 096)	(768 318)
	-	-

	2019	2018
Audit fees		
Current year audit fee	4 484 135	3 373 397
Amount paid current year	(4 484 135)	(3 373 397)
	-	-

	2019	2018
PAYE & UIF		
Current payroll deductions	10 559 313	9 106 305
Amount paid current year	(10 559 313)	(9 106 305)
	-	-

	2019	2018
Pension and Medical Aid Deductions		
Current payroll deductions	10 254 235	8 876 058
Amount paid current year	(10 254 235)	(8 876 058)
	-	-

VAT

VAT is accounted for on the cash basis. VAT input receivables and VAT output receivable are shown in note 6. All VAT returns have been submitted throughout the year.

36. Councillor's arrears consumer accounts

Councillors do not have services and rates accounts to the municipality.

Notes to the Financial Statements

Figures in Rand	2019	2018

37. Commitments

Commitments in respect of capital and current expenditure

Approved and contracted for:		
Current	15 326 802	27 806 961
Capital	234 640 238	105 055 117
	249 967 040	**132 862 078**

The expenditure will be financed from:

Sources		
Government grants	44 250 272	4 990 187
Internal sources	205 716 768	127 871 891
	249 967 040	**132 862 078**

Operating leases - lessee

Minimum lease payments due		
- within one year	1 650 945	-
- in second to fifth year inclusive	2 338 839	-
	3 989 784	**-**

The lease agreements for office machines became effective during the financial year 2018/19.

Operating lease payments represent rentals payable by the municipality for certain of its office equipment. Leases are negotiated for an average term of 3 years. No contingent rent is payable..

38. Operating leases

The lease agreements for office machines became effective during the financial year 2018/19.

Monthly rentals on office machines which are in the municipality's premises are expensed directly as lease rentals while the process to regularise the agreements is still in progress.

39. Contingent liabilities

Nature of the event		
Dispute on subcontracting	300 000	462 424
Claims on the house gutted by fire	6 500 000	3 555 702
Court interdicts (Township develop	1 290 000	290 000
Application on Appeal by Maruleng Civic warriors	431 060	431 060
Interdict against approving and continuing with development of mall (the event occured after year end)	380 000	300 000
Dispute on Accoount balance by Hoedspruit township developer (event occured after year end)	3 000 000	844 671
Contractual claim	200 000	200 000
Application for access of information in terms of PAIA	350 000	350 000
Application to comple the municipality to approve the site development plan	400 000	400 000
Application to oppose exhumation of the body	300 000	300 000
	13 151 060	**7 133 857**

Figures in Rand	2019	2018

40. Unauthorised, irregular, fruitless and wasteful expenditure

Irregular expenditure		
Opening balance	27 665 393	22 461 001
Irregular expenditure current year:		
Suppliers in the service of the state	-	-
Procurement awarded supplier without following SCM procedures. (Moshoana Mabena Mogane Inc.)	346 155	500 000
Steyn & Clarke	162 102	42 377
Award not approved by delegated official - MTW Global travel	-	7 800
Award advertised for less number of days - Nweti WaTilo	8 350 751	4 654 215
Closing balance	36 524 401	27 665 393
	36 524 401	**27 665 393**

The balance as at 30 June 2018 was R 27 665 393. The balance as at 30 June 2019 was R 36 524 401 that is currently under investigation.

Fruitless and wasteful expenditure		
Opening balance	2 296 198	2 296 198
Reimbursement of rental car involved in an Accident	557 583	-
Over payment of Vat input on lease contract	130 319	-
Overpayment of retention accounts - written off by Council	(40 194)	-
	-	-
Closing balance	2 943 906	2 296 198
	2 943 906	**2 296 198**

The balance as at 30 June 2018 was R 2 296 198 and R 2943 906. The balance for 30 June 2018 and 2019 currently under investigation.

Unauthorised expenditure		
Opening balance	14 229 699	14 229 699
Over-spending of Bochabelo Community hall	492 661	-
Write-off by Council	7 422 197	-
	22 144 557	**14 229 699**

41. Related party disclosures

During the year, in the ordinary course of business, transactions between the Municipality and the under-mentioned parties have occurred under terms and condition no more favourable than those entered into with third parties in an arm's length transaction.

Related party transactions

Loan accounts - Owing (to) by related parties		
ABC (Proprietary) Limited	-	24 003 740
Amounts included in Trade receivable (Trade Payable) regarding related parties		
ABC (Proprietary) Limited	-	1 932 279

S55 and S57 Employees/Employees remuneration	Refer to Employee related costs note 26
Remuneration of Councilors	Refer to Remuneration of Councilors note 27

Notes to the Financial Statements

Figures in Rand	2019	2018

42. Change in accounting estimates

No changes were required in accounting estimates for the financial year ended 30 June 2019.

43. Change in accounting policies

Property Plant and Equipment

Other 1

There was no change of accounting policy in the period under review.

During the financial year 2014/15 the municipality changed its accounting policy in respect of the valuation of inventory from the first-in-first out to weighted average method. The change was aimed at giving effect to a more relevant and reliable presentation of the value of inventory.

Statement of profit/loss		
Increase/ (decrease) in surplus due to (increase)/ decrease in general expenses	-	21 313

Statement of financial position		
Increase/ (decrease) in inventory	-	2 411

44. Risk management

Interest rate risk

The municipality has significant interest-bearing assets and as a result there of the municipality's income and operating cashflows are substantially dependent of changes in market interest rate.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities.

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors.

The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Financial assets exposed to credit risk at year end were as follows:

Maximum credit risk exposure		
Receivables from exchange transactions	3 117 097	2 857 464
Receivables from non-exchange transactions	21 161 345	17 098 753
Cash and cash equivalents	137 892 725	131 869 906
Other receivables	1 363 251	1 363 251
	163 534 418	**153 189 374**

Notes to the Financial Statements

Figures in Rand

45. Deviation from supply chain management regulations

Regulation 36 of the Municipal SCM Reugation of 2005 provides for deviation from and rectification of minor breaches of procurement processes. The deviation reports includes limited bidding, emergency and urgent procurement as well as avoidable deviations. The following expections were recorded for the period under review:

DATE	DESCRIPTION OF GOODS AND SERVICES	AMOUNT	REASON FOR DEVIATION
2017/07/17	Advertisement of valuation property rates	R8 000.00	The advert is done by government printing works
2017/07/19	Verification of qualifications for shortlisted candidates	R5 102.00	SAQA is the institution that verifies qualification in South Africa.
2017/07/20	Transportation of participants to Willows for games.	R8 800.00	Great North Transport is the only company in our database that provides bus transport services.
2017/07/21	Training fee for Ntimane H	R16 960.00	Regenesys Management is the institute that provides this training.
2017/08/01	REGISTRATION FEE	R7 000.00	The institution that runs the conference.
2017/08/04	Registration fee for	R4 300.00	The institution that runs the IMPSA conference
-	Conference.	R -	-
2017/08/04	Payment for Gouws A & Seoke T for report for training on report writing.	R5 107.20	SAGE has contract with the municipality.
2017/08/04	PAYMENT FOR EXHIBITION STAND FURNITURE GETAWAY SHOW	R29 166.90	Expo Solution is the company that runs the gateway show.
2017/08/07	Mid-Year Payroll Seminar	R3 990.00	SAGE has contract with the municipality.
2017/08/22	Placement of advert for Mayoral Tournament.	R4 550.00	It is the only local radio station.
2017/08/25	Refresher Course for Examiners.	R 600.00	Department of Transport is the institution that runs the conference
2017/08/25	Transportation of participants to Mayoral tournament.	R21 500.00	Great North Transport is the only company in our database that provides bus transport services.
2017/08/25	Transportation of participants to Mayoral tournament.	R10 400.00	Great North Transport is the only company in our database that provides bus transport services.
2017/09/05	Training fee for Mogoboya TA attending EMP training	R26 950.00	University of Limpopo is the institution that provides the training.
-	-	R -	-
2017/09/06	Registration fee for Somo L and Magoro M attending leaders plenary session.	R23 997.00	The plenary session is arranged by the Institute Internal Auditors South Africa.
-	-	R -	-
2017/09/06	Provision of ambulance services during Mayoral Tournament.	R 5 746.00	The Department of Health And Social Development is the only institution registered on our suppliers database for provision of ambulance services.
2017/10/05	Calibration of speed trap machine for Traffic Department.	R 3 920.16	Truvelo Manufacturers (Pty) Ltd is the manufacturer of the speed trap machine used by the municipality.
2017/10/12	Registration fee for departmental secretaries attending training.	R 44 000.00	Institute of Municipal Administrators of South Africa provides the training.

2017/10/12	Registration fee for Lethole SJ, Mthethwa L and Ramohlola K attending conference on ethics and behavior		R10 950.00	The institution that runs the conference.
2017/10/19	Registration fee for IMPSA conference	R	8 970.00	The institution that runs the conference.
2017/10/30	Registration fee for Gouws A, Seoke T, and Mafologela J attending SAGE VIP training		R14 307.00	SAGE has contract with the municipality.
2017/11/08	Procurement of stand for exhibition.	R	31 254.47	Reed Exhibition is the institution that runs the conference.
2017/11/10	Renewal of membership for Somo L; Magoro MJ And Mangena FM	R	5 814.00	The officials are members of the institute.
2017/11/13	Verification of qualifications for shortlisted candidates for the posts of Debtors Clerk, Cashiers & Finance Intern		R4 176.00	SAQA is the institution that verifies qualification in South Africa.
2017/11/17	Registration fee for Lewele M and Mokonyane ML attending Pan African Cemeteries & Crematoria Conference.	R	10 000.00	SACA is the institution that runs the conference
2017/11/22	Training registration fee for Paulina Mohlala.		R8 999.00	The institution that runs the conference.
2017/11/27	ANNUAL GENERAL MEETING FOR MASILO & BEAUTY MAPONYA	R	25 000.00	It has the contract with Maruleng municipality to provide munsoft system
2017/12/19	Calibration of speed trap machine for Traffic Department.	R	3 920.16	Truvelo Manufacturers (Pty) Ltd is the manufacturer of the speed trap machine used by the municipality.
2018/02/06	Verification of qualifications for shortlisted candidates for the posts of Manager PMU		R2 998.00	SAQA is the institution that verifies qualification in South Africa.
2018/02/14	Registration fee for Phiri K, Malomane C, Sabeka N And Mohlala S		R20 520.00	Munsoft has contract with the municipality.
2018/02/15	Procurement of stand for exhibition.	R	54 665.14	Reed Exhibition is the institution that runs the conference.
2018/02/28	Registration Fee For Thobejane MH, Mahlo M, Mathaba A, Rakgoale J, Mokonyane L, Sekgobela F, Phasha M, Maponya B, Mabotha K		R32 598.00	The institution that runs the conference.
2018/03/05	Training registration fee for Morema K.		R2 900.00	The institution that provides the training
2018/03/18	Training Fee for Linah Ntemane And Ramohlola Kedibone	R	14 300.00	The custodian that runs the training
2018/03/22	Registration fee for Public Indaba for Maria baloyi, lephalala phuti,Modiba Masilo, Malepe Eugine & Somo Lesley	R	31 055.00	The institution that runs the conference.
2018/03/26	Registration fee for Happy Ntemane	R	26 523.24	Regenesys is the Institution that runs the training
2018/03/27	Registration for Nelly Sekgobela	R	2 900.00	The institution that runs the Exhibition
2018/03/27	Payment of exhibition for stand furniture	R	30 319.44	The institution that runs the Exhibition
2018/03/29	Payment registration for Sithole K,Mailula G,Sithole K,Morema A,Phasha and Phahlane I	R	35 910.00	The institution that runs the Exhibition
2018/05/15	Registration for finance department training	R	75 240.00	It has the contract with Maruleng municipality to provide munsoft system
2018/05/18	Registration for mr smith,Mr Masete,Sithole K,AND Mokonyane ML	R	825.00	The institution that runs the Exhibition
2018/05/18	Registration for Sekgobela P	R	12 190.00	The institution that runs the training
2018/05/24	Procurement of order Books	R	29 974.75	The institution registered with us for printing purposes
2018/06/11	Registration fee for Maponya Mokonyane M AND Maakamela R	R	5 000.00	The institution that runs the conference.
2018/06/11	Registration fee for Magoro M, Mangena F, Malepe E and Mahlo C	R	7 800.00	The institution that runs the training
2018/06/11	Renewal of membership fee for Magoro M, Mangena F and Somo L	R	6 727.50	The institution that runs the training

DATE	DESCRIPTION OF GOODS AND SERVICES	AMOUNT	REASON FOR DEVIATION
31/07/2018	Conference fee for Mrs. Mokonyane Lilly.	10 000.00	The institution that runs the conference.
03/04/2019	Conference registration fee for Ntemane H Attending CIGFARO	6 265.00	The institution that runs the conference
04/10/2018	Conference registration fee for Senior Officials and finance interns.	81 637.60	The institution that runs the conference.
04/10/2018	Conference registration fee Somo ML and Lephalale P	16 048.00	The institution that runs the conference.
04/10/2018	Conference registration fee for Fortress and Maria	16 048.00	The institution that runs the conference
05/10/2018	Conference registration fee for Karabo Mohlabe	8 024.00	The institution that runs the conference
23/08/2018	Registration fee for Maponya b, Sibiya P, Malale C, Phahlane M & Sithole k for CIGF	7 250.00	The institution that runs the conference
23/08/2018	Training registration fee for Berneth Ntloana & Modjadji Monareng.	16 600.00	The institution that runs the conference
17/08/2018	Procurement of stand for exhibition GETA Way Show	32 463.25	The institution that runs the conference
17/04/2019	Payment for competency assessment.	41 700.00	The institution that conducts competency assessment for senior manager
2003/08/18	Conference registration fee for Magoro MJ, Mahlo MC, Malepe E, Lephalala P & Sor	56 304.00	The institution that runs the conference.
01/02/2019	Training fee for Somo L, Magoro j & Lephalala P	13 179.00	The institution that provides the training
12/10/2018	Registration fee for training of Internal Audit personnel	12 626.00	The institution that runs the training.
22/02/2019	Outstanding payment for Malomane C & Mnisi T	6 325.00	The institution that provides the training
2006/08/18	Conference registration fee	4 070.00	The institution that runs the conference.
04/10/2018	Conference registration fee for secretaries	31 200.00	The institution that runs the conference.
31/08/2018	Membership fee	17 500.00	The institution that runs the conference
18/09/2018	Conference registration fee for Makgato MY	4 850.00	The institution that runs the conference
31/07/2018	Conference fee for Mogoboya and Shai	10 000.00	The institution that runs the conference.
14/06/2019	Training registration fee for Lephalale P	2 083.00	The institution that provides the training
15/10/2018	Conference registration fee for Malepe Thoplaas	9 198.85	Intelligence transfer center that runs the conference.
31/07/2018	Training registration fee for Mogoboya, Mathole P and Maake MW	15 000.00	The institution that runs the conference.
06/08/2018	Conference registration fee for Makgato M & Ntimane L	12 710.00	The institution that runs the conference
05/12/2018	Training fee for Mangena F	7 573.90	The institution that provides the training
06/02/2019	Training fee for Mangena Felma	7 573.90	The institution that provides the training
06/03/2019	Training fee for Mahlo C & Malepe E	12 627.00	The institution that provides the training
12/06/2019	Training registration fee for Mangena F.M	13 289.40	The institution that provides the training
16/11/2018	Training fee for Mangena F	15 147.80	The institution that provides the training
30/01/2019	Renewal of maruleng liabrary membership	3 075.00	Membership renewal
10/04/2019	Advertisement for Public Participation Events	10 000.00	It is the local radio station.
06/06/2019	Training fee for Sekgobela MF, Maponya B and Phasha M	5 175.00	The institution that provides the training
07/11/2018	Training registration fee	32 775.00	The institution that provides the training
17/08/2018	Training registration fee for Masilo Modiba and Paulina Mohlala	6 325.00	The institution that provides the training

18/02/2019	Training fee for officials in Expenditure Section	17 077.50	The institution that provides the training
20/02/2019	Outstanding payment for Malomane C & Mnisi T	138 000.00	The institution that provides the training
21/02/2019	Training fee for training of officials in Assets Section.	18 975.00	The institution that provides the training
16/07/2018	Munsoft ICT forum	21 850.00	The forum arranged by our financial system vendor.
21/02/2019	Training fee of SCM officials	22 770.00	The institution that provides the training
06/02/2019	Training for Mahowa Rhulani	8 165.00	The institution that provides the training
28/08/2018	Registration fee for Sabeka n attending indaba conference.	7 999.00	The institution that runs the conference
4/10/2018	Conference registration fee Ntemane L & Ramohlola KP	14 300.00	The institution that runs the conference
25/07/2018	Procurement of stand for exhibition.	52 448.21	The institution that runs the conference.
22/02/2019	Procurement of stand for exhibition	33 943.40	The institution that runs the conference
21/11/2018	Payment for exhibition stand	91 445.70	The institution that runs the show.
09/07/2018	Training registration fee for Lephalale PR & Somo L	R5 842.00	The company that runs the training
03/10/2018	Conference registration fee for Mokgadi Kapa and Mashinya Priscilla	7 000.00	The institution that runs the conference.
04/10/2018	Conference registration fee for Malatjie KE	3 500.00	The institution that runs the conference.
04/10/2018	Conference registration fee for Mrs Mokonyane ML	3 500.00	The institution that runs the conference.
04/10/2018	Conference registration fee for Kedibone Sithole	3 500.00	The institution that runs the conference
11/09/2018	Training registration fee for Modiba Masilo and Seoke Thabie	7 521.00	System used by the municipality for payroll.
14/08/2018	Registration for Anita Gouws and Seoke Thabie	4 485.00	System used by the municipality for payroll.
19/09/2018	Training registration fee for Thabie and Anita Gouws	4 301.00	System used by the municipality for payroll.
25/02/2019	Training fee for Gouws & Seoke T	10 143.00	System used by the municipality for payroll.
27/03/2019	Training fee for Gouws & Seoke T	7 320.00	System used by the municipality for payroll.
04/02/2019	Registration for Phasha D	3 200.00	The custodian for architectural technologists
04/12/2018	Registration fee for Sekgobela F, Maakamela R, Shai V, Sithole K & Mogale TD	25 000.00	The institution that runs the conference.
28/07/2018	Registration fee for membership of Thobejane Happy, Mokonyane Lilly and Mahlo M	7 500.00	The institution that arranged Lekgotla.
31/07/2018	Registration for membership for commission national lekgotla	10 000.00	The institution that arranged Lekgotla.
05/10/2018	Conference registration fee for Mailula G & Mukhetoni T	19 000.00	The institution that runs the conference.
14/03/2019	Verification of qualifications for shortlisted candidates	40 820.00	The institution that verifies qualification.
04/03/2019	Training fee for SPED officials, IT official & Revenue officials	92 400.00	The institution that provides the training
29/10/2018	Registrations for Kedibone Sithole, Molebogeng Phahlane, Maponya Beauty & Sibiy	4 700.00	The institution that runs the conference
05/10/2018	Registration fee for Morema Aubrey attend building Plan conference	8 790.00	The institution that runs the conference.
18/07/2018	Calibration of pro laser speed machines	9 310.09	The manufacturer of the speed trap machine used by the municipality.
27/11/2018	Calibration of pro laser speed machines	6 182.04	The manufacturer of the speed trap machine used by the municipality.
26/10/2018	Conference fee for Ngobeni Petrus & Rakgoale Jeaneth	12 200.00	The institution that runs the conference

Notes to the Financial Statements

Figures in Rand

46. Commitments

Current commitments 2018/19

Description	Contract Number	Appointment date	Contract amount	Total Expenditure 2017/2019	VAT	Total Expenditure 2018/2019	Balance at 30 June 2019
Provision of waste removal and landfill site management services for a period of three years	MLM/SCM/23/2017	01/11/2017	24 349 683.61	4 004 704.00	10 391 379.93	14 396 083.93	9 953 599.68
Supply and delivery of prom	MLM/SCM/02/2018	21/06/2018	121 151.20	-	-	121 151.20	-
Protective Clothing	MLM/SCM/24/2017	17/10/2017	528 485.00	-	-	528 485.00	-
Compilation of Operational I	MLM/SCM/03/2017	16/05/2018	389 196.00	-	-	389 196.00	-
Professional services	MLM/SCM/11/2016	18/05/2016	500 000.00	-	-	500 000.00	-
Compilation of GRAP Comp	MLM/SCM/11/2018	26/06/2018	5 545 702.50	-	-	172 500.00	5 373 202.50
Supply and delivery of laptops and Carry bags	MLM/SCM/10/2018	29/06/2018	210 000.00	-	-	210 000.00	-
Supply and promotional material	MLM/SCM/26/2018	26/06/2018	129 950.00	-	-	129 950.00	-
Cash collectors	MLM/SCM/0001/2017	31/10/2018	87 894.00	-	-	87 894.00	-
Provision of security services for period of three years	MLM/SCM/32/2018	17/10/2018	29 226 379.29	-	-	5 235 116.25	23 991 263.04
Review of disaster management plan	MLM/SCM/35/2018	17/10/2018	494 500.00	-	-	494 500.00	-
Leasing of photocopying machines for a period of 3 years	-	29/11/2018	*	-	-	855 342.03	-
Minimum competancy level training MFMP	MLM/SCM	18/12/2018	*	-	-	704 203.00	-
appointment of a service provided for organising do-loma morula event	MLM/SCM/43/2018	18/01/2019	1104000.00	-	-	1 104 000.00	-
Supply and delivery of disaster relief blankets and tents	MLM/SCM/42/2018	18/01/2019	304 328.00	-	-	304 328.00	-

Supply and delivery of waste removal truck	MLM/SCM/41/2018	20/02/2019	2 900 000.00	-	-	2 900 000.00	-
Supply and delivery of furniture	MLM/SCM/40/2018	27/02/2019	951 516.90	-	951 516.90	951 516.90	-
Supply and delivery of vehicles	MLM/SCM/15/2019	14/05/2019	6 060 832.50	-	-	3 994 582.20	2 066 250.30
Fencing of Molalene graveyard	MLM/SCM/52/2018	13/06/2019	357 901.39	-	-	357 901.39	-
Fencing of mahlomelong graveyard	MLM/SCM/53/2018	13/06/2019	343 649.90	-	-	343 649.90	-
Fencing of worcester graveyard	MLM/SCM/50/2018	13/06/2019	374 730.95	-	-	374 730.95	-
Fencing of sofaya graveyard	MLM/SCM/51/2018	13/06/2019	316 030.00	-	-	316 030.00	-
Fencing of sedawa graveyard	MLM/SCM/49/2018	13/06/2019	308 176.00	-	-	308 176.00	-
Fupply and delivery of road maintanence material	MLM/SCM/6/2019	13/06/2019	*	-	-	-	-
Restoration of municipal building	MLM/SCM/05/2019	13/06/2019	1 890 544.80	-	-	937 535.75	953 009.05
Upgrading of server room	MLM/SCM/16/2019	18/06/2019	539 709.40	-	-	-	-
Supply and fitment of tyres for a period of three years	MLM/SCM/19/2019	27/06/2019	*	-	-	-	-
Supply and delivery of asphalt	MLM/SCM/	23/06/2018	124 800.00	-	-	124 800.00	-
Supply and delivery of protective clothing (epwp)	-	09/12/2019	120 825.90	-	-	120 825.90	-
The layout, design and printing of A4 newsletters	-	23/07/2018	120 825.90	-	-	120 825.90	-
Delivery of promotional material	-	09/12/2019	199200.00	-	-	199 200.00	-
Supply and installation of sirens and blue lights	-	09/12/2019	199 200.00	-	-	199 200.00	-
Supply of delivery of office stationery	-	09/12/2019	191 940.00	-	-	191 940.00	-
Supply and delivery of tyres for motor grader	-	13/11/2018	164 500.00	-	-	164 500.00	-

Notes to the Financial Statements

Figures in Rand

Supply and delivery of promotional material for strategic planning	-	24/11/2018	33 327.00	-	-	33 327.00	-
Supply and delivery of promotional material for ward committee members	-	18/12/22018	135 001.75	-	-	135 001.75	-
Supply and delivery of diaries	-	14/02/2019	58 995.00	-	-	58 995.00	-
Compilation of AFS	SC03/06/2019	24/06/2019	1 850 000.00	-	-	-	-
-	-	-	**31 862 062.31**	**4 004 704.00**	**10 391 379.93**	**16 535 260.13**	**15 326 802.18**

*Refer to tender document for payment terms and value

Notes to the Financial Statements

Figures in Rand

Capital Commitments 2018/19

PROJECT NAM	CONTRACT NU	CONTRACT	-	APPOINMENT A	PAYMNETS (incl '	RETENTION (in	BALANCE	STATUS	RETENSIONS F	RETENSION (IN	CLOSING BALAN
-	-	START DATE	END DATE	-	-	-	-	-	-	-	-
INDOOR SPORTS	MLM/16/2012	28/02/2013	30/06/2019	10 571 612.05	9 662 904.60	-	908 707.45	In progress	-	-	908 707.45
-	MLM/16/2012	28/11/2014	30/06/2019	53 181 058.79	41 173 879.19	4 227 848.54	12 007 179.60	In progress	-	-	12 007 179.60
-	-	-	-	-	-	-	-	-	-	-	-
ELECTRIFICATION OF SCOTIA	MLM/21/2015	06/08/2015	14/03/2018	488 733.30	446 431.30	-	42 302.00	Completed	-	-	42 302.00
-	MLM/21/2015	24/02/2016	14/03/2019	4 526 465.11	4 002 805.91	421 347.99	523 659.20	Completed	184 801.75	210 674.00	312 985.20
-	-	-	-	-	-	-	-	-	-	-	-
BALLON ACCESS ROAD	MLM/SCM/03/2(	01/02/2016	30/06/2020	6 886 318.59	5 145 452.32	-	1 740 866.27	In progress	-	-	1 740 866.27
-	-	29/06/2018	-	45 009 570.74	9 794 979.57	1 088 331.04	35 214 591.17	In progress	-	-	35 214 591.17
-	-	-	-	-	-	-	-	-	-	-	-
TURKEY 3 COMMUNITY HALL	MLM/06/2014	-	14/07/2017	665 836.82	609 726.80	-	56 110.02	Completed	-	-	56 110.02
-	MLM/06/2014	28/09/2015	14/07/2017	5 349 212.88	4 814 111.01	534 901.23	535 101.87	Completed	469 211.60	539 593.34	-4 491.47
-	-	-	-	-	-	-	-	-	-	-	-
TURKEY 2 ROAD	-	-	-	1 634 522.14	1 634 474.21	-	47.93	Completed	-	-	47.93
-	-	-	-	9 457 945.88	8 354 527.01	945 794.59	1 103 418.87	In progress	829 644.20	945 794.39	157 624.48
-	-	-	-	-	-	-	-	-	-	-	-
MOSHATE HALL	-	-	-	1 329 455.59	1 329 454.56	-	1.03	Completed	-	-	1.03
-	-	-	-	5 721 051.00	5 148 220.93	572 024.56	572 830.07	In progress	501 775.94	572 024.54	805.53
-	-	-	-	-	-	-	-	-	-	-	-
HLOHLOKWE ACCESS ROAD PHASE 3	MLM/16/2012	21/12/2016	30/07/2018	8 822 134.82	8 394 197.46	879 498.17	427 937.36	In progress	366 705.24	419 329.50	8 607.86
-	-	-	-	-	-	-	-	-	-	-	-

HLOHLOKWE ACCESS ROAD PHASE 3	-	-	-	11 397 806.00	6 623 158.99	401 611.20	4 774 647.01	In progress	400 437.81	458 495.43	4 316 151.58
-	-	-	-	-	-	-	-	-	-	-	-
METZ INTERNAL STREET	MLM/17/2012	28/02/2013	14/11/2017	3 011 941.12	2 740 388.92	-	271 552.20	Completed	-	-	271 552.20
-	MLM/17/2012	22/12/2016	14/11/2017	10 318 776.41	8 894 502.95	988 278.79	1 424 273.46	Completed	866 128.59	994 228.34	430 045.12
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
METZ INTERNAL STREET PHASE 2	-	-	-	7 935 961.74	6 306 091.98	663 799.15	1 629 869.76	In progress	436 731.42	497 873.58	1 131 996.18
-	-	-	-	-	-	-	-	-	-	-	-
BOCHABELO HALL	MLM/09/2014	-	42776.00	1 066 350.58	1 157 478.03	-	-91 127.45	Completed	-	-	-91 127.45
-	MLM/09/2014	21/12/2016	42776.00	4 844 999.89	4 349 985.98	484 497.27	495 013.91	Completed	424 997.64	486 622.29	8 391.62
-	-	-	-	-	-	-	-	-	-	-	-
WILLOWS SPORT CENTRE	MIG/LPO771/CF	-	23/8/2017	2 207 199.20	1 867 280.89	-	339 918.31	Completed	-	-	339 918.31
-	MIG/LPO771/CF	25/09/2015	23/8/2017	6 161 144.82	5 071 242.26	563 471.36	1 089 902.56	Completed	247 136.56	281 735.68	808 166.88
-	-	-	-	-	-	-	-	-	-	-	-
FINALE ACCESS ROAD	MLM/05/2015	03/05/2016	22/6/2018	3 200 715.67	1 968 347.50	-	1 232 368.17	Completed	-	-	1 232 368.17
-	MLM/05/2015	04/07/2017	22/6/2018	13 698 785.03	13 011 085.75	1 369 011.34	687 699.28	Completed	599 986.34	683 984.29	3 714.99
-	-	-	-	-	-	-	-	-	-	-	-
MAKGAUNG ACCESS ROAD	MLM/SCM/06/2(	11/01/2016	17/7/2018	1 955 884.61	1 959 209.84	-	-3 325.23	In progress	-	-	-3 325.23
-	MLM/SCM/06/2(	04/07/2017	17/7/2018	14 113 708.11	12 609 408.29	1 401 045.43	1 504 299.82	In progress	613 613.55	705 655.58	798 644.24
-	-	-	-	-	-	-	-	-	-	-	-
LORRAINE ACCESS ROAD	MLM/SCM/04/2(	04/07/2017	30/9/2018	14 915 791.62	13 246 803.35	1 288 348.44	1 668 988.27	In progress	-	70 310.00	1 598 678.27

Notes to the Financial Statements

Figures in Rand

LORRAINE ACCESS ROAD	MLM/SCM/04/2(	19/04/2016	30/9/2018	2 506 739.54	2 456 476.15	-	50 263.39	In progress	-	-	50 263.39
-	-	-	-	-	-	-	-	-	-	-	-
KANANA TO MAHLOMELONG ACCESS ROAD	MLM/SCM/07/2(	11/01/2016	17/7/2018	2 298 447.70	1 888 190.33	-	410 257.37	In progress	-	-	410 257.37
-	MLM/SCM/07/2(	04/07/2017	17/7/2018	14 070 146.99	12 433 622.34	1 381 513.59	1 636 524.65	In progress	604 636.97	695 332.51	941 192.14
-	-	-	-	-	-	-	-	-	-	-	-
Maruleng Low level bridges	MLM/SCM/09/2(	03/05/2016	24/07/2018	2 539 408.74	2 066 908.94	-	472 499.80	In progress	-	-	472 499.80
-	-	-	-	-	-	-	-	-	-	-	-
REHABILATATION OF HOEDSPRUIT MAIN STREET	MLM/SCM/10/2(	08/06/2015	15/01/2015	5 305 912.61	4 532 270.07	771 990.96	773 642.54	Completed	677 185.05	774 109.95	-467.41
-	MLM/SCM/10/2(	08/06/2015	15/01/2015	1 052 016.65	1 057 245.01	-	-5 228.36	Completed	-	-	-5 228.36
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
Ga-Mametja low level bridge	MLM/SCM/09/2(	21/07/2017	24/07/2018	4 388 879.62	4 029 709.50	1 227 937.10	359 170.12	In progress	191 544.19	220 275.82	138 894.30
-	-	-	-	-	-	-	-	-	-	-	-
Mets low level bridge	MLM/SCM/09/2(	21/07/2017	24/07/2018	4 907 647.50	4 397 889.48	488 654.40	509 758.02	In progress	213 408.70	245 420.00	264 338.02
-	-	-	-	-	-	-	-	-	-	-	-
Mahlomelong lo level bridge	MLM/SCM/09/2(	21/07/2017	24/07/2018	4 823 727.70	4 356 505.06	484 056.11	467 222.64	In progress	211 567.01	243 302.06	223 920.58
-	-	-	-	-	-	-	-	-	-	-	-
Lorraine low level bridge	MLM/SCM/09/2(	21/07/2017	24/04/2017	4 063 583.24	3 871 958.35	407 444.10	191 624.89	Completed	178 227.33	204 961.43	-13 336.54
-	-	-	-	-	-	-	-	-	-	-	-
BISMARK ACCESS ROAD	MLM/SCM/17/2(	18/05/2018	30/6/2021	2 433 353.98	1 634 210.95	-	799 143.03	In progress	-	-	799 143.03
-	-	-	-	-	-	-	-	-	-	-	-
Madeira Access Roads	-	18/05/2018	30/6/2020	2 889 549.69	1 920 019.46	-	969 530.23	In progress	-	-	969 530.23

Notes to the Financial Statements

Figures in Rand

Madeira Access Roads	-	18/09/2018	-	16 348 320.86	10 452 977.66	1 138 668.47	5 895 343.20	In progress	248 032.41	285 237.27	5 610 105.93
-	-	-	-	-	-	-	-	-	-	-	-
The Oaks Internal Street	MLM/SCM/13/2(	18/05/2018	30/6/2020	2 845 444.72	2 418 436.60	742 114.08	427 008.12	In progress	-	-	427 008.12
The Oaks Internal Street	-	-	-	16 154 143.86	11 055 656.69	1 228 406.29	5 098 487.17	In progress	260 295.90	299 340.28	4 799 146.89
-	-	-	-	-	-	-	-	-	-	-	-
Santeng Graveyard Access Road	MLM/SCM/14/2(	21/05/2018	30/6/2021	2 531 904.82	1 377 010.45	-	1 154 894.37	In progress	-	-	1 154 894.37
Santeng Graveyard Access Road	-	23/04/2019	-	17 709 133.54	2 863 742.54	318 193.62	14 845 391.00	In progress	-	-	14 845 391.00
-	-	-	-	-	-	-	-	-	-	-	-
SEDAWA ACCESS	-	-	-	4 486 650.78	2 397 086.73	-	2 089 564.05	In progress	-	-	2 089 564.05
-	-	-	-	10 834 509.92	9 415 367.06	9 415 367.06	1 419 142.86	In progress	935 526.79	1 070 542.85	348 600.02
-	-	-	-	-	-	-	-	-	-	-	-
Calais Sports Field	MLM/SCM/25/2(	25/05/2018	30/6/2020	6 206 896.55	3 944 510.21	-	2 262 386.34	In progress	-	-	2 262 386.34
Calais Sports Field	-	17/09/2018	-	37 762 880.88	7 580 785.65	790 032.98	30 182 095.23	In progress	-	-	30 182 095.23
-	-	-	-	-	-	-	-	-	-	-	-
Rehabilitation of Kampersrus Road	MLM/SCM/23/2(	25/05/2018	30/6/2021	3 082 249.54	1 579 488.55	-	1 502 760.99	In progress	-	-	1 502 760.99
-	-	-	-	-	-	-	-	-	-	-	-
Newline Ga-Fani Access Road	MLM/SCM/21/2(	31/05/2018	30/6/2021	3 158 639.72	3 095 076.09	-	63 563.63	In progress	-	-	63 563.63
Newline Ga-Fani Access Road	-	23/04/2019	-	32 996 546.64	1 607 447.00	160 744.70	31 389 099.64	In progress	-	-	31 389 099.64
-	-	-	-	-	-	-	-	-	-	-	-
Butswana acces road	MLM/SCM/19/2(	10/05/2018	30/6/2021	3 836 042.75	1 380 585.21	-	2 455 457.54	In progress	-	-	2 455 457.54
Butswana acces road	-	14/05/2019	-	26 445 263.12	3 054 798.54	339 422.06	23 390 464.58	In progress	-	-	23 390 464.58

Notes to the Financial Statements

Figures in Rand

-	-	-	-	-	-	-	-	-	-	-	-
Butswana Com Hall	-	-	-	868 916.54	868 913.12	-	3.42	Completed	-	-	3.42
Butswana Com Hall	-	-	-	5 799 534.00	5 219 580.61	579 953.40	579 953.39	Completed	508 731.05	579 953.40	-0.01
-	-	-	-	-	-	-	-	-	-	-	-
Worcester access road	-	23/04/2019	-	28 289 959.10	2 194 378.02	243 819.78	26 095 581.08	In progress	-	-	26 095 581.08
Worcester access road	-	-	-	3 630 226.54	2 772 416.00	-	857 810.54	In progress	-	-	857 810.54
-	-	-	-	-	-	-	-	-	-	-	-
Willows Access Road	MLM/SCM/14/2(	31/05/2018	30/6/2021	2 692 825.52	1 374 746.36	-	1 318 079.16	In progress	-	-	1 318 079.16
Willows Access Road	-	23/04/2019	-	23 516 524.24	3 209 816.91	356 646.32	20 306 707.33	In progress	-	-	20 306 707.33
-	-	-	-	**525 432 485.87**	**299 614 158.31**	**35 548 127.79**	**246 125 034.89**	**-**	**9 970 326.02**	**11 484 796.53**	**234 640 238.35**

Notes to the Financial Statements

Figures in Rand	2019	2018

47. Contracted services

Presented previously		
Operating Leases	7 261 523	5 791 133
Other Contractors	6 273 098	953 229

48. Correction of prior year errors

Statement of financial position

Accumulated surplus

Corrections were made and appropriated to the accumulated surplus account for the financial years ended 30 June 2018 and 30 June 2019.

Accumulated surplus were affected as follows:

Assets
Correction of purchase previously understated in the prior year (2017 and 2018) R 75 714

An asset was decapitalised during the 2017 and 2018 financial period. this reduced the asset values and accumulated surplus

Trade Payables
Correction of Trade payables previously understated in the prior year R 274 333

This amount was restated on trade payables as and overstatement for the period ended 30 June 2018.

The net effect of the adjustment was R 198 619

Corrections were made and appropriated to the accumulated surplus account for the financial year ended 30 June 2019.

49. Actual capital expenditure versus budgeted capital expenditure

50. Rental of facilities and equipment

Municipal properties rented out	222 089	224 089